

MONTANA

Legislative Fiscal Report 2015 Biennium

Volume 3—Agency Budgets

House Bill 2

General Government - Section A

Health and Human Services - Section B



June 2013

Legislative
Fiscal Division

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Legislative Fiscal Report

2015 Biennium



Volume 3 – Agency Budgets

Presented to the Sixty-Third Legislature

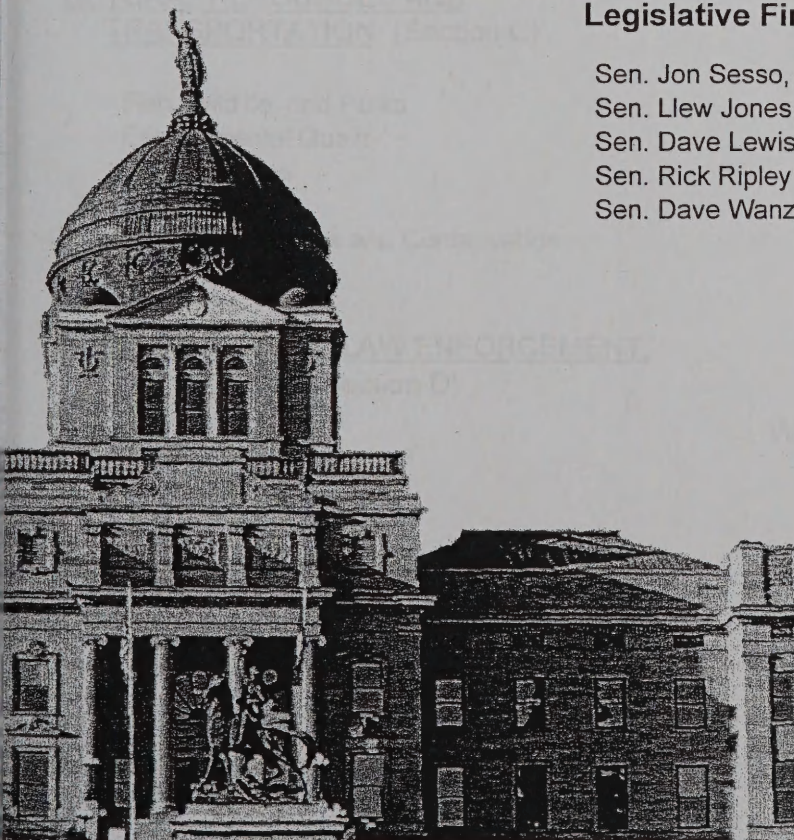
Submitted by the
Legislative Fiscal Division

Amy Carlson, Legislative Fiscal Analyst

Legislative Finance Committee (2013 Session)

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Sen. Rick Ripley
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Legislative Fiscal Report

1972 Session

LD 1000

Volume 2 - Agency Budgets

Presented to the State-Triple Legislature

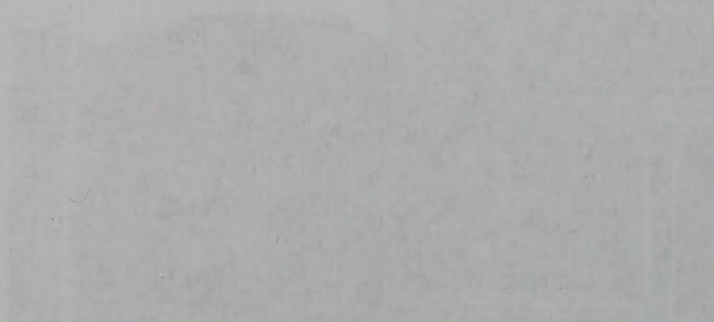
Submitted by the
Legislative Fiscal Division

State of New Hampshire

Legislative Finance Committee (1972 Session)

Chairman: Hon. J. J. McLean
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AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

GENERAL GOVERNMENT (Section A)

- Legislative Branch
- Consumer Counsel
- Governor's Office
- Secretary of State
- Commissioner of Political Practices
- State Auditor
- Revenue
- Administration
- Commerce
- Labor and Industry
- Military Affairs

HEALTH AND HUMAN SERVICES (Section B)

- Public Health and Human Services

NATURAL RESOURCES AND TRANSPORTATION (Section C)

- Fish, Wildlife, and Parks
- Environmental Quality
- Transportation
- Livestock
- Natural Resources and Conservation
- Agriculture

JUDICIAL BRANCH, LAW ENFORCEMENT, AND JUSTICE (Section D)

- Judicial Branch
- Crime Control Division
- Justice
- Public Service Regulation
- Office of Public Defender
- Corrections

EDUCATION (Section E)

- Office of Public Instruction
- Board of Public Education
- School for the Deaf and Blind
- Montana Arts Council
- State Library Commission
- Montana Historical Society
- Commissioner of Higher Education
 - Student Assistance
 - Community Colleges
 - University Units and Colleges of Technology
 - Agricultural Experiment Station
 - Montana Extension Service
 - Forestry and Conservation Experiment Station
 - Bureau of Mines & Geology
 - Fire Services Training School
 - Tribal College Assistance
 - Board of Regents

LONG-RANGE PLANNING (Section F)

- Long-Range Building Program
- State Building Energy Conservation
- Long-Range Information Technology Program
- Treasure State Endowment Program
- Treasure State Endowment Regional Water System
- Renewable Resource Grant & Loan Program
- Reclamation & Development Grant Program
- Cultural and Aesthetic Grant Program
- Quality School Facilities Program

Where can you find each section in the *Legislative Fiscal Report 2015. Biennium*, Volumes 3-4

Volume 3 contains HB 2 and Sections A & B
Volume 4 contains Section C, D, E, & F

AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the activities listed for each agency and agency group. List committee responsibilities in HS 2. The agencies are grouped by functional categories that mirror agency groups by congressional subcommittee. The groups are numbered below. Programs funded with proprietary funds are not listed in HS 2, and an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative review.

GENERAL GOVERNMENT (Section A)

Legislative Branch
Congressional Council
Governor's Office
Secretary of State
Department of Justice
State Auditor
Revenue
Administration
Conservation
Energy and Industry
Military Affairs

HEALTH AND HUMAN SERVICES (Section B)

Public Health and Human Services

NATURAL RESOURCES AND TRANSPORTATION (Section C)

Fire, Wildlife, and Parks
Environmental Quality
Transportation
Diversions
Forest Resources and Conservation
Agriculture

JUDICIAL BRANCH, LAW ENFORCEMENT AND JUSTICE (Section D)

Judicial Branch
Law Enforcement
Public Safety Administration
Office of Public Defense
Correctional

EDUCATION (Section E)

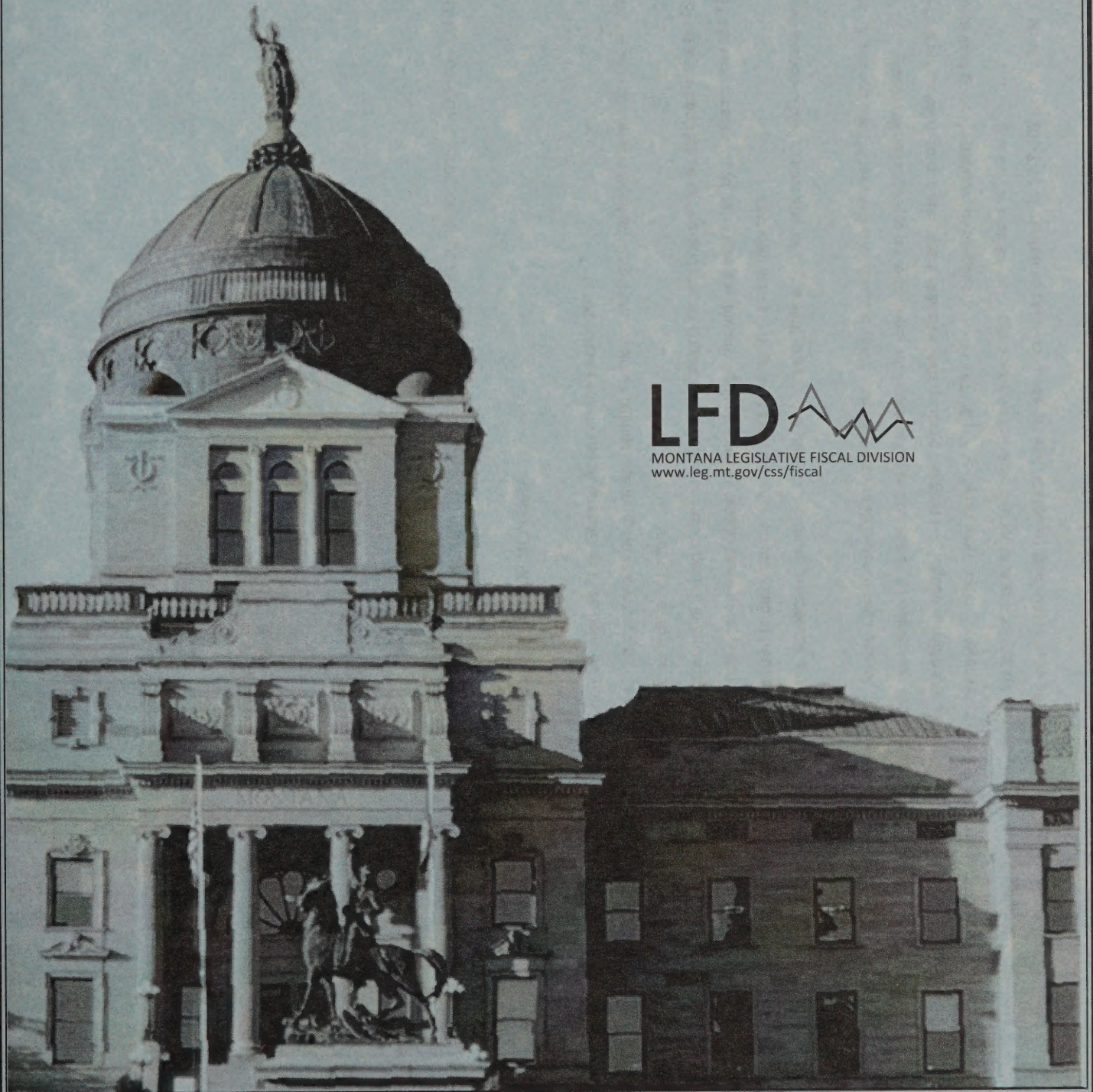
Office of Public Instruction
Board of Public Education
School for the Deaf and Blind
Montana Arts Council
State Library Commission
Montana Historical Society
Department of Higher Education
Student Assistance
Community Colleges
University and College of Technology
Agricultural Experiment Station
Montana Extension Service
Energy and Conservation Experiment Station
Bureau of Mines & Geology
Fire Research Training School
Indian College Advancement
Board of Regents

LEISURE AND RECREATION (Section F)

Long Range Building Program
State Building Energy Conservation
Long Range Planning and Development
Tennessee State Education System
Tennessee State Extension of Recreation System
Recreation Research, Education & Loan Program
Recreation & Development Grant Program
Cultural and Heritage Grant Program
Quality School Facilities Program

When you find each section in the Legislative
Process Report 2015, Review, Volume 1-4
Volume 3 contains HS 2 and Sections A & B
Volume 4 contains Section C, D, E, & F.

House Bill 2



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House Bill 2

LED
LIGHTING
EFFECTS
ACT





AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE BIENNIUM ENDING JUNE 30, 2015; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Short title. [This act] may be cited as "The General Appropriations Act of 2013".

Section 2. First level expenditures. The agency and program appropriation tables in the legislative fiscal analyst narrative accompanying this bill, showing first level expenditures and funding for the 2015 biennium, are adopted as legislative intent.

Section 3. Legislative intent. It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.

Section 4. Severability. If any section, subsection, sentence, clause, or phrase of [this act] is for any reason held unconstitutional, the decision does not affect the validity of the remaining portions of [this act].

Section 5. Appropriation control. An appropriation item designated "Biennial" may be spent in either year of the biennium. An appropriation item designated "Restricted" may be used during the biennium only for the purpose designated by its title and as presented to the legislature. An appropriation item designated "One Time Only" or "OTO" may not be included in the present law base for the 2017 biennium. The office of budget and program planning shall establish a separate appropriation on the statewide accounting, budgeting, and human resource system for any item designated "Biennial", "Restricted", "One Time Only", or "OTO". The office of budget and program planning shall establish at least one appropriation on the statewide accounting, budgeting, and human resource system for any appropriation that appears as a separate line item in [this act].

Section 6. Program definition. As used in [this act], "program" has the same meaning as defined in 17-7-102, is consistent with the management and accountability structure

established on the statewide accounting, budgeting, and human resource system, and is identified as a major subdivision of an agency originally numbered with an Arabic numeral.

Section 7. Totals not appropriations. The totals shown in [this act] are for informational purposes only and are not appropriations.

Section 8. Effective date. [This act] is effective July 1, 2013.

Section 9. Appropriations. The following money is appropriated for the respective fiscal years:

	Fiscal 2014			Fiscal 2015		
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
LEGISLATIVE BRANCH (1104)						
1. Legislative Services (20) (Biennial)						
6,549,178	842,029	0	0	0	0	7,380,885
a. LSD Television MT Phase II (Restricted/OTO)						
175,000	0	0	0	0	0	100,000
b. LSD Information Technology Upgrade Replacements (Restricted/OTO)						
112,500	0	0	0	0	0	112,500
c. Participation in Capitol Complex Security Plan (Restricted/Biennial/OTO)						
80,000	0	0	0	0	0	80,000
2. Legislative Committees and Activities (21) (Biennial)						
683,156	0	0	0	0	0	573,224
3. Fiscal Analysis and Review (27) (Biennial)						
1,848,932	0	0	0	0	0	1,890,281
4. Audit and Examination (28) (Biennial)						
2,350,469	1,679,189	0	0	0	0	4,020,300
Total	11,799,235	2,521,218	0	0	0	14,320,453

Total

Legislative Services includes a reduction in general fund of \$166,311 in fiscal year 2014 and \$167,463 in fiscal year 2015 and state special revenue of \$42,898 in fiscal year 2014

and \$43,083 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing

2015 biennium operating plans.

CONSUMER COUNSEL (1112)

1. Administration Program (01)

- A-1 -

HB 2

Legislative Services Division

Fiscal 2014

Fiscal 2015

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
0	1,384,324	0	0	0	0	1,384,324	0	1,398,316	0	0	0	1,398,316
a. Unanticipated Caseload Contingency (Restricted/OTO)												
0	250,000	0	0	0	0	250,000	0	250,000	0	0	0	250,000
<hr/>												
Total	0	1,634,324	0	0	0	1,634,324	0	1,648,316	0	0	0	1,648,316
GOVERNOR'S OFFICE (3101)												
1. Executive Office Program (01)												
2,536,426	0	0	0	0	0	2,536,426	2,538,815	0	0	0	0	2,538,815
2. Executive Residence Operations (02)												
129,473	0	0	0	0	0	129,473	130,674	0	0	0	0	130,674
3. Air Transportation Program (03)												
244,376	0	0	0	0	0	244,376	245,649	0	0	0	0	245,649
a. Airplane Maintenance Expenses (OTO)												
90,000	0	0	0	0	0	90,000	0	0	0	0	0	0
4. Office of Budget and Program Planning (04)												
1,652,686	0	0	0	0	0	1,652,686	1,664,202	0	0	0	0	1,664,202
a. Legislative Audit (Restricted/Biennial)												
17,466	0	0	0	0	0	17,466	0	0	0	0	0	0
5. Office of Indian Affairs (05)												
173,624	0	0	0	0	0	173,624	173,196	0	0	0	0	173,196
6. Centralized Services (06)												
371,418	0	0	0	0	0	371,418	383,419	0	0	0	0	383,419
a. Legislative Audit (Restricted/Biennial)												
38,426	0	0	0	0	0	38,426	0	0	0	0	0	0

	Fiscal 2014				Fiscal 2015						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
7. Lieutenant Governor (12)											
	336,530	0	0	0	0	336,530	340,782	0	0	0	340,782
8. Citizens' Advocate Office (16)											
	94,764	8,409	0	0	0	103,173	94,631	8,346	0	0	102,977
9. Mental Disabilities Board of Visitors (20)											
	416,630	0	0	0	0	416,630	417,055	0	0	0	417,055
Total	6,101,819	8,409	0	0	0	6,110,228	5,988,423	8,346	0	0	5,996,769
Executive Office Program includes a reduction in general fund of \$89,342 in fiscal year 2014 and \$89,575 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.											
SECRETARY OF STATE (3201)											
1. Business and Government Services (01)											
	0	0	0	4,524,915	0	4,524,915	0	0	0	4,523,318	0
a. Legislative Audit (Restricted/Biennial)											
	0	0	0	34,933	0	34,933	0	0	0	0	0
b. Help America Vote Act Interest (Biennial/OTO)											
	0	0	128,000	0	0	128,000	0	0	128,000	0	128,000
c. Statewide Voter Registration System (Restricted)											
	0	0	0	690,629	0	690,629	0	0	0	694,029	0
Total	0	0	128,000	5,250,477	0	5,378,477	0	0	128,000	5,217,347	5,345,347
Business and Government Services includes a reduction in proprietary funds of \$63,563 in fiscal year 2014 and \$63,553 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.											

Business and Government Services includes a reduction in proprietary funds of \$63,593 in fiscal year 2014 and \$63,553 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

Fiscal 2014												Fiscal 2015			
General Fund		State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund		State Special Revenue	Federal Special Revenue	Proprietary	Other	Total		
COMMISSIONER OF POLITICAL PRACTICES (3202)															
1. Administration (01)															
474,308		0	0	0	0	474,308	484,949		0	0	0	0	484,949		
a. Legislative Audit (Restricted/Biennial)															
7,685		0	0	0	0	7,685	0		0	0	0	0	0		
b. Agency Legal Counsel (OTO)															
71,503		0	0	0	0	71,503	71,458		0	0	0	0	71,458		
c. Change in Agency Location (OTO)															
34,630		0	0	0	0	34,630	0		0	0	0	0	0		
Total															
588,126		0	0	0	0	588,126	556,407		0	0	0	0	556,407		
OFFICE OF THE STATE AUDITOR (3401)															
1. Central Management (01)															
0		1,562,694	0	0	0	1,562,694	0		1,567,396	0	0	0	1,567,396		
a. Legislative Audit (Restricted/Biennial)															
0		8,384	0	0	0	8,384	0		0	0	0	0	0		
b. IT System Upgrade (Restricted/OTO)															
0		253,900	0	0	0	253,900	0		0	0	0	0	0		
c. Continuing Education Central Management (Restricted/OTO)															
0		33,915	0	0	0	33,915	0		33,915	0	0	0	33,915		
2. Insurance Program (03)															
0		5,183,686	0	0	0	5,183,686	0		5,209,252	0	0	0	5,209,252		
a. Legislative Audit (Restricted/Biennial)															
0		28,944	0	0	0	28,944	0		0	0	0	0	0		

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
								Total
b. Montana Comprehensive Health Association (Restricted)	0	946,455	0	0	946,455	0	943,696	0
c. Insurance In-House Examinations (Restricted/OTO)	0	10,185	0	0	10,185	0	10,185	0
d. Captive Insurance FTE (OTO)	0	64,736	0	0	64,736	0	60,091	0
e. Captive Regulatory and Supervision (Restricted/OTO)	0	85,000	0	0	85,000	0	95,000	0
f. Biennial Financial Exams (Restricted/Biennial/OTO)	0	186,604	0	0	186,604	0	186,604	0
g. Continuing Education Market Conduct (Restricted/OTO)	0	18,800	0	0	18,800	0	11,900	0
h. In-House Market Examinations (Restricted/OTO)	0	26,400	0	0	26,400	0	18,500	0
i. Biennial Market Conduct Examinations (Restricted/Biennial/OTO)	0	100,000	0	0	100,000	0	100,000	0
j. Insure Montana Bridge (Restricted/OTO)	1,646,660	8,116,980	0	0	9,763,640	6,763,375	3,000,000	0
3. Securities (04)	0	1,066,923	0	0	1,066,923	0	1,070,203	0
a. Legislative Audit (Restricted/Biennial)	0	5,988	0	0	5,988	0	0	0
b. Biennial Contract Examinations (Restricted)	0	65,000	0	0	65,000	0	65,000	0

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
Total				Other	Total			Other

1,646,660	17,764,594	0	0	0	19,411,254	6,763,375	12,371,742	0	0	19,135,117
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Central Management includes a reduction in state special revenue of \$110,069 in fiscal year 2014 and \$110,218 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

DEPARTMENT OF REVENUE (5801)

1.	Director's Office (01)									
	4,624,346	105,554	0	75,861	0	4,805,761	4,638,337	105,384	0	4,820,835
	a.	Legislative Audit (Restricted/Biennial)								
	173,663	0	1,000	0	0	174,663	0	0	0	0
	b.	Overtime Pay for Timely Legislative Fiscal Notes (Restricted/OTO)								
	0	0	0	0	0	0	70,000	0	0	70,000
2.	Information Management and Technology (02)									
	11,448,125	124,804	0	253,727	0	11,826,656	11,489,905	124,804	0	11,862,998
	a.	Ongoing System Maintenance and Support Increase (Restricted)								
	500,000	0	0	0	0	500,000	500,000	0	0	500,000
	b.	Enhance E-Services for Property and State Taxes (OTO)								
	304,790	0	0	0	0	304,790	0	0	0	0
3.	Liquor Control Division (03)									
	0	0	0	2,467,380	0	2,467,380	0	0	2,437,330	2,437,330
	a.	Termination Payout (Restricted/Biennial)								
	0	0	0	60,000	0	60,000	0	0	0	0
	b.	Temporary and Overtime Pay (Restricted/Biennial)								
	0	0	0	130,000	0	130,000	0	0	0	0
4.	Citizen Services and Resource Management (05)									
	3,404,557	211,838	0	36,861	0	3,653,256	3,397,550	212,123	0	3,646,250

	General Fund	Fiscal 2014				Total	General Fund	Fiscal 2015			Total
		State Special Revenue	Federal Special Revenue	Proprietary	Other			State Special Revenue	Federal Special Revenue	Proprietary	
a. Web-Based Application Portal for One-Stop Licensing (Restricted/OTO)											
21,400	0	0	0	0	0	21,400	0	0	0	0	0
b. Web-Based Application Portal for One-Stop Licensing (Restricted)											
11,500	0	0	0	0	0	11,500	11,500	0	0	0	11,500
5. Business and Income Taxes Division (07)											
8,868,207	368,450	247,447	0	0	0	9,484,104	8,847,066	369,166	247,312	0	9,463,544
a. Tobacco Tax Compliance Program (Restricted)											
0	179,876	0	0	0	0	179,876	0	179,609	0	0	179,609
b. Unclaimed Property Compliance Program (Restricted)											
0	108,618	0	0	0	0	108,618	0	108,468	0	0	108,468
6. Property Assessment Division (08)											
19,672,756	53,171	0	0	0	0	19,725,927	19,656,973	53,171	0	0	19,710,144
a. 6-Year Reappraisal Cycle Needs (Restricted/Biennial/OTO)											
754,870	0	0	0	0	0	754,870	987,660	0	0	0	987,660
b. Review of Active Exempt Property Records (Restricted/OTO)											
145,918	0	0	0	0	0	145,918	124,210	0	0	0	124,210
Total											
49,930,132	1,152,311	248,447	3,023,829	0	0	54,354,719	49,723,201	1,152,725	247,312	2,799,310	53,922,548

Director's Office includes a reduction in general fund of \$720,405 in fiscal year 2014 and \$720,965 in fiscal year 2015, state special revenue of \$8,582 in fiscal year 2014 and \$8,587 in fiscal year 2015, and proprietary funds of \$38,523 in fiscal year 2014 and \$38,549 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

Liquor Control Division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in the amounts not to exceed \$124 million in fiscal year 2014 and \$130 million in fiscal year 2015.

Business and Income Taxes Division includes a reduction in federal special revenue of \$4,164 in fiscal year 2014 and \$4,167 in fiscal year 2015. The reduction is the equivalent of

Fiscal 2014											Fiscal 2015			
General Fund		State Special Revenue	Federal Special Revenue	Proprietary	Total		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total			
DEPARTMENT OF ADMINISTRATION (6101)														
1. Director's Office (01)														
70,824		0	16,464	0	0	87,288	70,796	0	16,434	0	0	87,230		
a. Legislative Audit (Restricted/Biennial)														
57,448		0	0	0	0	57,448	0	0	0	0	0	0		
2. State Accounting Division (03)														
1,298,230		0	1,066	16,815	0	1,316,111	1,296,348	0	1,065	16,714	0	1,314,127		
3. Architecture and Engineering Program (04)														
0		1,861,812	0	0	0	1,861,812	0	1,862,705	0	0	0	1,862,705		
a. Legislative Audit (Restricted/Biennial)														
0		1,315	0	0	0	1,315	0	0	0	0	0	0		
4. General Services Program (06)														
784,099		62,144	0	0	0	846,243	782,970	61,981	0	0	0	844,951		
a. Legislative Audit (Restricted/Biennial)														
0		37	0	0	0	37	0	0	0	0	0	0		
b. Facilities Management for Common Areas (OTO)														
1,220,023		0	0	0	0	1,220,023	1,173,196	0	0	0	0	1,173,196		
5. State Information Technology Services Division (07)														
458,554		382,378	0	0	0	840,932	460,823	383,210	0	0	0	844,033		
a. Legislative Audit (Restricted/Biennial)														
0		731	0	0	0	731	0	0	0	0	0	0		
c. FirstNet Planning Grant (Restricted/Biennial)														
0		0	930,000	0	0	930,000	0	0	930,000	0	0	930,000		
6. Banking and Financial Division (14)														

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
								Total
7. Legislative Audit (Restricted/Biennial)								
a. Montana State Lottery (15)	0	3,667,358	0	0	3,667,358	0	3,668,375	0
a. Legislative Audit (Restricted/Biennial)	0	2,401	0	0	2,401	0	0	0
a. Legislative Audit (Restricted/Biennial)	0	0	0	4,869,591	4,869,591	0	0	4,869,471
a. Legislative Audit (Restricted/Biennial)	0	0	0	110,145	110,145	0	0	0
Health Care and Benefits Division (24)	0	0	0	7,432,079	7,432,079	0	0	7,435,132
Legislative Audit (Restricted/Biennial)	0	0	0	8,471	8,471	0	0	0
9. State Human Resources Division (23)	1,837,397	0	0	0	1,837,397	1,835,169	0	0
10. State Tax Appeal Board (37)	566,285	0	0	0	566,285	566,319	0	0
Total	6,292,860	5,978,176	947,530	12,437,101	25,655,667	6,185,621	5,976,271	12,321,317

Total

State Accounting Division includes a reduction in general fund of \$82,148 in fiscal year 2014 and \$82,197 in fiscal year 2015, federal special revenue of \$1 in fiscal year 2015, and proprietary funds of \$38,289 in fiscal year 2014 and \$38,310 in fiscal year 2015. Banking and Financial Division includes a reduction in state special revenue of \$95,259 in fiscal year 2014 and \$95,306 in fiscal year 2015. The reductions are the equivalent of an additional 2% vacancy savings. The agency may allocate these reductions in funding among programs when developing 2015 biennium operating plans.

If House Bill No. 38 is not passed and approved, State Information Technology Services Division is increased by \$943,612 in fiscal year 2014 and \$943,342 in fiscal year 2015 in state special revenue.

DEPARTMENT OF COMMERCE (6501)

Legislative
Services
Division

		Fiscal 2014				Fiscal 2015					
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
1.	Business Resources Division (51)										
	1,930,520	2,182,098	3,925,555	0	0	0	8,038,173	1,933,880	2,182,853	4,142,678	0
a.	Legislative Audit (Restricted/Biennial)										
	3,448	1,150	3,066	0	0	0	7,664	0	0	0	0
b.	Indian County Economic Development (OTO)										
	800,000	0	0	0	0	0	800,000	800,000	0	0	0
c.	Primary Business Sector Training (Biennial/OTO)										
	600,000	800,000	0	0	0	0	1,400,000	600,000	800,000	0	0
d.	Montana SBIR/STTR Program (Restricted/Biennial)										
	375,000	0	0	0	0	0	375,000	375,000	0	0	0
e.	Biomedical Research Grant (Biennial/OTO)										
	1,000,000	0	0	0	0	0	1,000,000	0	0	0	0
f.	MSU Bozeman -- Montana Manufacturing Extension Center (Restricted/OTO)										
	50,000	0	0	0	0	0	50,000	50,000	0	0	0
g.	Native Language Preservation (Restricted/Biennial/OTO)										
	1,000,000	0	0	0	0	0	1,000,000	1,000,000	0	0	0
2.	Montana Promotion Division (52)										
	0	164,258	0	0	0	0	164,258	0	164,282	0	0
a.	Legislative Audit (Restricted/Biennial)										
	0	36,229	0	0	0	0	36,229	0	0	0	0
b.	Private Funds/Audit Adjustments (Restricted)										
	0	585,742	0	0	0	0	585,742	0	585,718	0	0
3.	Community Development Division (60)										
	700,376	1,161,072	5,303,560	0	0	0	7,165,008	701,869	1,150,640	5,304,174	0
a.	Legislative Audit (Restricted/Biennial)										

Fiscal 2014

Fiscal 2015

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
1,875	1,875	2,946	1,160	0	0	5,981	0	0	0	0	0	0
b.		Coal Board (Biennial)										
0	0	2,148,386	0	0	0	2,148,386	0	1,770,425	0	0	0	1,770,425
c.		Hard Rock Mining Reserve (Restricted)										
0	0	100,000	0	0	0	100,000	0	100,000	0	0	0	100,000
4.		Housing Division (74)										
0	0	150,000	7,790,698	0	0	7,940,698	0	150,000	7,798,846	0	0	7,948,846
a.		Legislative Audit (Restricted/Biennial)										
0	0	0	3,639	0	0	3,639	0	0	0	0	0	0
5.		Director's Office/Management Services Division (81)										
0	0	0	550,000	0	0	550,000	0	0	550,000	0	0	550,000

Total

6,461,219 7,331,881 17,577,678 0 0 31,370,778 5,460,749 6,903,918 17,795,698 0 0 30,160,365

Business Resources Division includes a reduction in general fund of \$23,145 in fiscal year 2014 and \$23,155 in fiscal year 2015, state special revenue of \$14,536 in fiscal year 2014 and \$14,503 in fiscal year 2015, and federal special revenue of \$30,866 in fiscal year 2014 and \$30,883 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings.

The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

If Senate Bill No. 342 is not passed and approved, Native American Language Preservation is void.

DEPARTMENT OF LABOR AND INDUSTRY (6602)

1.	Workforce Services Division (01)											
0	9,137,219	22,393,970	0	0	0	31,531,189	0	9,137,421	22,410,064	0	0	31,547,485
a.	Workforce Services Division Rent Adjustment (Restricted)											
3,246	4,458	13,863	0	0	0	21,567	3,246	4,458	13,863	0	0	21,567
b.	Worker Training and Economic Development (OIO)											
0	641,146	0	0	0	0	641,146	0	641,655	0	0	0	641,655

Legislative
Services
Division

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
	Total	Other	Total		Total	Other	Total	
2. Unemployment Insurance Division (02)								
	0	3,847,656	9,689,157	0	0	3,847,656	9,837,415	0
13,536,813								13,685,071
3. Commissioner's Office/Centralized Services Division (03)								
	183,517	221,626	384,295	0	183,242	221,581	383,786	0
789,438								788,609
4. Employment Relations Division (04)								
	973,626	10,390,657	378,930	0	999,608	10,428,837	350,792	0
11,743,213								11,779,237
a. Rent Adjustment (Restricted)								
	811	32,329	492	0	833	34,609	505	0
33,632								35,947
b. Human Rights Bureau (OTO)								
	0	0	250,000	0	0	0	225,000	0
250,000								225,000
5. Business Standards Division (05)								
	0	15,468,858	0	0	0	15,413,790	0	0
15,468,858								15,413,790
a. Weights and Measures Equipment (Restricted/Biennial)								
	0	100,000	0	0	0	100,000	0	0
100,000								100,000
b. Business Standards Division -- Motor Pool Lease (Restricted)								
	0	6,331	0	0	0	6,634	0	0
6,331								6,634
6. Office of Community Services (07)								
	124,171	27,266	3,422,703	0	124,195	27,272	3,423,325	0
3,574,140								3,574,792
7. Workers' Compensation Court (09)								
	0	649,765	0	0	0	650,621	0	0
649,765								650,621
Total								
	1,285,371	40,527,311	36,533,410	0	1,311,124	40,514,534	36,644,750	0
78,346,092								78,470,408

Employment Relations Division includes a reduction in state special revenue of \$520,391 in fiscal year 2014 and \$493,141 in fiscal year 2015 and federal special revenue of \$388,035 in fiscal year 2014 and \$416,258 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs

Fiscal 2014						Fiscal 2015						
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	Other	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	Other	
when developing 2015 biennium operating plans.												
Weights and Measures Equipment is contingent upon the passage and approval of House Bill No. 591.												
DEPARTMENT OF MILITARY AFFAIRS (6701)												
1. Centralized Services (01)												
717,760	0	313,147	0	0	0	1,030,907	717,057	0	313,143	0	0	1,030,200
a. Legislative Audit (Restricted/Biennial)												
9,781	0	0	0	0	0	9,781	0	0	0	0	0	0
2. ChalleNGe Program (02)												
847,738	0	2,710,914	0	0	0	3,558,652	848,719	0	2,716,573	0	0	3,565,292
a. Legislative Audit (Restricted/Biennial)												
1,572	0	4,716	0	0	0	6,288	0	0	0	0	0	0
b. Funding for ChalleNGe 24/7 Overtime (Restricted)												
10,000	0	30,000	0	0	0	40,000	10,000	0	30,000	0	0	40,000
c. ChalleNGe Recruitment and Retention (Restricted)												
56,250	0	168,750	0	0	0	225,000	56,250	0	168,750	0	0	225,000

~~ChallengeGo Recruitment and Retention (Restricted)~~

3.	National Guard Scholarship Program (03) (Biennial)	0	168,750	0	0	225,000	56,250	0	168,750	0	0	225,000
	209,409	0	0	0	0	209,409	209,409	0	0	0	0	209,409
4.	STARBASE Program (04)											
	0	0	656,883	0	0	656,883	0	0	656,697	0	0	656,697
	a. Legislative Audit (Restricted/Biennial)											
	0	0	1,397	0	0	1,397	0	0	0	0	0	0
5.	Army National Guard Program (12)											
	1,636,659	2,000	12,709,264	0	0	14,347,923	1,643,639	2,000	12,749,499	0	0	14,395,138
	a. Legislative Audit (Restricted/Biennial)											
	2,456	0	26,189	0	0	28,645	0	0	0	0	0	0

		Fiscal 2014				Fiscal 2015			
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
6.	Air National Guard Program (13)								
	395,616	0	4,115,831	0	0	4,511,447	399,460	0	4,133,131
	a. Legislative Audit (Restricted/Biennial)								
	1,048	0	5,240	0	0	6,288	0	0	0
7.	Disaster and Emergency Services (21)								
	1,067,500	233,539	16,821,604	0	0	18,122,643	1,067,454	236,536	14,825,674
	a. Legislative Audit (Restricted/Biennial)								
	3,318	0	9,956	0	0	13,274	0	0	0
	b. Federal Homeland Security Exercise/Evaluation (Restricted)								
	27,330	0	0	0	0	27,330	27,290	0	0
	c. Systems for State Emergency Coordination Center (Restricted)								
	15,000	0	0	0	0	15,000	15,000	0	0
	d. Disaster and Emergency Services Overtime (Restricted)								
	19,488	0	0	0	0	19,488	19,488	0	0
8.	Veterans' Affairs Program (31)								
	881,470	864,951	0	0	0	1,746,421	885,664	763,010	0
	a. Legislative Audit (Restricted/Biennial)								
	4,192	0	0	0	0	4,192	0	0	0
	b. Veterans' Outreach Services (Restricted/Biennial/OTO)								
	180,000	0	0	0	0	180,000	180,000	0	0
Total		6,086,587	1,100,490	37,573,891	0	44,760,968	6,079,430	1,001,546	35,593,467

Disaster and Emergency Services includes a reduction in general fund of \$59,763 in fiscal year 2014 and \$59,809 in fiscal year 2015, state special revenue of \$14,211 in fiscal year 2014 and \$14,214 in fiscal year 2015, and federal special revenue of \$160,814 in fiscal year 2014 and \$157,978 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy

	Fiscal 2014			Fiscal 2015		
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total

savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

TOTAL SECTION A

90,192,009	78,018,714	93,008,956	20,711,407	0	281,931,086	94,220,738	71,582,180	91,356,726	20,337,974	0	277,497,618
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	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Total
B. HEALTH AND HUMAN SERVICES								
DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES (6901)								
Economic Security Services Branch (6902)								
1. Disability Employment and Transitions (01)								
5,602,510	980,372	21,448,273	0	0	28,031,155	5,673,164	997,760	21,566,859
								0
								28,237,783
2. Human and Community Services Division (02)								
32,598,934	2,856,038	109,467,273	0	0	144,922,245	33,358,206	2,856,327	109,931,571
								0
								146,146,104
a. Offices of Public Assistance FTE (Restricted/OTO)								
117,588	10,964	131,886	0	0	260,438	110,950	10,345	124,441
								0
								245,736
b. TANF WoRC Contracts 3% Increase								
170,771	0	0	0	0	170,771	175,849	0	0
								0
								175,849
c. TANF CASA Programs (OTO)								
0	0	150,000	0	0	150,000	0	0	150,000
								0
								150,000
d. Best Beginnings STARS (Restricted/Biennial/OTO)								
0	0	1,200,000	0	0	1,200,000	0	0	1,200,000
								0
								1,200,000
3. Child and Family Services Division (03)								
33,890,067	2,187,150	28,107,716	0	0	64,184,933	34,554,026	2,187,150	28,406,690
								0
								65,147,866
a. Guardianship Caseload (Restricted/OTO)								
88,591	0	56,258	0	0	144,849	128,999	0	79,453
								0
								208,452
Reporting								
1,000	0	0	0	0	1,000	0	0	0
								0
								0
c. Foster Care Caseload (Restricted)								
729,288	0	176,017	0	0	905,305	1,088,638	0	143,751
								0
								1,232,389
d. Tribal Foster Care (Restricted/OTO)								
200,000	0	0	0	0	200,000	200,000	0	0
								0
								200,000

		Fiscal 2014				Fiscal 2015							
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
e.	Foster Care Stipend (Restricted/Biennial/OTO)												
		0	0	577,613	0	0	577,613	0	0	577,613	0	0	577,613
4.	Child Support Enforcement Division (05)												
		2,846,378	818,346	7,858,935	0	0	11,523,659	2,853,471	825,577	7,886,738	0	0	11,565,786
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Total		76,245,127	6,852,870	169,173,971	0	0	252,271,968	78,143,303	6,877,159	170,067,116	0	0	255,087,578

The Disability Employment and Transitions Division is appropriated \$775,000 of state special revenue from the Montana Telecommunications Access Program (MTAP) during each year of the 2015 biennium to cover a contingent FCC mandate, which would require states to provide either video or internet protocol relay services for people with severe hearing, mobility or speech impairments.

The department of public health and human services must use \$171,610 in fiscal year 2014 and \$346,652 in fiscal year 2015 of funds in the Disability Employment and Transitions Division to raise provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.

The department of public health and human services must use \$489,482 in fiscal year 2014 and \$988,754 in fiscal year 2015 of funds in the Human and Community Services Division to raise provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.

If legislation authorizing a statutory appropriation for SNAP benefits is not passed and approved, the appropriation for the Human and Community Services Division is increased by \$190,942,034 federal funds each year.

Funding for Offices of Public Assistance FTE may be expended only by the Human and Community Services Division.

Best Beginnings STARS funding may be used only by the Early Childhood Services Bureau to enhance the Best Beginnings STARS quality incentive programs.

Best Beginnings STARS, Prevent Jail Suicide, and Montana State Hospital Overtime Pay are funded from a federal children's health insurance program reauthorization grant. If grant funds are insufficient to fund all appropriations, the funding shall be allocated in the following order of priority:

- (1) Montana State Hospital Overtime Pay;
- (2) Prevent Jail Suicide; and
- (3) Best Beginnings STARS.

The department of public health and human services must use \$310,724 in fiscal year 2014 and \$627,662 in fiscal year 2015 of funds in the Child and Family Services Division to raise provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.

[illegible]

~~The Child and Family Services Division shall report to the children, families, health, and human services interim committee by June 30, 2014, and to the 2015 session joint appropriations subcommittee on health and human services on the policies and procedures developed for the implementation of House Bill No. 131 and Senate Bill No. 65 and ceases that resulted in better outcomes for children and families.~~

Funding for Foster Case Caseload may be expended only by the Child and Family Services Division for projected increases in the caseload.

Funding for Tribal Foster Care may be used only by the Child and Family Services Division for non-Title IV-E billable services provided to tribal children living on the reservation.

Funding for Foster Care Stipend may be used only by the Child and Family Services Division to pay stipends to families who provide regular foster care in a youth foster home and kinship families who provide regular foster care in a kinship foster home of an estimated 75 cents per day in addition to the daily foster care maintenance payment. The Child and Family Services Division may adjust the stipend amount to reflect the funding of \$577,613 each year of the biennium with the actual number of children placed in regular family foster care and kinship foster care.

Director's Office (6904)

[illegible]

Total

1618.150	406.138	1721.429	0	0	3775.726	1647.626	406.095	1721.057	0	0	3774.778
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Contingent upon passage and approval of House Bill No. 76, Director's Office includes a reduction in general fund of \$125,000 in fiscal year 2014 and fiscal year 2015. The agency may allocate this reduction in funding among divisions when developing the 2015 biennium operating plans.

Operations Services Branch (6906)

1.	Business and Financial Services Division (06)											
	3,189,232	605,652	4,621,831	0	0	8,416,715	3,163,484	597,982	4,569,684	0	0	8,331,150
	a. Legislative Audit (Restricted/Biennial)											
	154,666	12,892	195,740	0	0	363,298	0	0	0	0	0	0
2.	Quality Assurance Division (08)											
	2,551,731	552,404	5,969,123	0	0	9,073,258	2,554,836	553,881	5,971,595	0	0	9,080,312
3.	Technology Services Division (09)											

	Fiscal 2014					Fiscal 2015						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
11,552,729		1,165,416	19,753,775	0	0	32,471,920	11,248,543	1,164,041	19,419,146	0	0	31,831,730
a.	CHIMES Medicaid/HMK and TEAMS (Restricted/OTO)											
329,953		15,789	3,093,584	0	0	3,439,326	282,428	20,406	3,434,834	0	0	3,737,668
b.	MACWIS Planning Completion (Biennial/OTO)											
0		113,750	61,250	0	0	175,000	0	113,750	61,250	0	0	175,000
4.	Management and Fair Hearings Division (16)											
401,954		25,286	593,823	0	0	1,021,063	401,744	25,261	593,616	0	0	1,020,621

Total

18,180,265 2,491,189 34,289,126 0 0 54,960,580 17,651,035 2,475,321 34,050,125 0 0 54,176,481

The Business and Financial Services Division includes a reduction in funding of \$4,718 general fund, \$1,897 state special revenue, and \$7,721 federal special revenue in fiscal year 2014 and \$4,678 general fund, \$1,881 state special revenue, and \$7,656 federal special revenue in fiscal year 2015. The agency may allocate this reduction in funding among divisions when developing 2015 biennium operating plans.

Business and Financial Services Division includes a reduction in general fund of \$236,085 in fiscal year 2014 and \$235,874 in fiscal year 2015, state special revenue of \$85,235 in fiscal year 2014 and \$96,890 in fiscal year 2015, and federal special revenue of \$325,716 in fiscal year 2014 and \$324,711 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

The Quality Assurance Division is appropriated funding for the 2015 biennium in an amount not to exceed \$210,208 of state special revenue fund share and \$396,734 of federal special revenue share from the recovery audit contract to pay recovery audit costs. Payments to the contractor are contingent upon the amount of funds recovered and may not exceed 12.5% of the amount recovered.

The department of public health and human services must use the biennial appropriation of \$350,000 in fiscal year 2014 and fiscal year 2015 in the Technology Services Division to complete the planning process for the Montana adult and child welfare information system (MACWIS) including a complete plan for funding the development of the MACWIS system for presentation to the 2015 Legislature.

Funding for the CHIMES Medicaid/HMK and TEAMS systems may only be used by the Technology Services Division for the maintenance and operations contract and project management of the eligibility determination systems for CHIMES Medicaid/HMK, Chimes SNAP, CHIMES TANF, and TEAMS systems.

Public Health and Safety (6907)

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
1. Public Health and Safety Division (07)								
3,833,072	16,607,808	42,615,129	0	0	63,056,009	3,836,184	16,607,638	42,431,294
a. Poison Control Hotline (Restricted/OTO)								
0	0	0	0	0	182,400	0	0	0
b. Title X								
0	0	2,305,688	0	0	2,305,688	0	2,306,322	0
Total	3,833,072	16,607,808	44,920,817	0	65,361,697	4,018,584	16,607,638	44,737,616

Title X monies may be used only for purposes allowed by federal law.

Medicaid and Health Services Branch (6911)

1. Developmental Services Division (10)								
22,344,873	592,794	10,522,770	0	0	33,460,437	21,770,346	592,794	10,519,024
a. Expand Children's Services (Restricted)								
56,666	0	111,334	0	0	168,000	113,501	0	222,499
b. Room and Board for Seriously Emotionally Disturbed Children (Restricted)								
650,000	0	0	0	0	650,000	0	0	0
c. Medicaid Services -- Developmental Services								
58,560,732	6,040,146	167,623,509	0	0	232,224,387	62,652,972	6,040,146	183,759,835
2. Health Resources Division (11)								
6,767,389	22,489,104	76,064,934	0	0	105,321,427	8,050,414	23,553,800	83,494,788
a. Hospital Utilization Fee (Restricted)								
0	22,587,587	44,081,020	0	0	66,668,607	0	22,589,588	44,079,019
b. Medicaid Services -- Health Resources								
121,927,937	22,013,821	318,614,532	0	0	462,556,290	129,155,462	23,001,840	337,215,478

	Fiscal 2014				Fiscal 2015						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	
3. Medicaid and Health Services Management (12)											
2,137,832	91,668	16,953,871	0	0	19,183,371	2,824,223	93,007	15,382,287	0	0	18,299,517
4. Senior and Long-Term Care Division (22)											
9,769,001	7,833,205	16,802,286	0	0	34,404,492	10,032,324	7,770,192	17,167,484	0	0	34,970,000
a. County Nursing Home Intergovernmental Transfer (Restricted)											
0	7,640,182	15,010,820	0	0	22,651,002	0	8,088,679	15,856,491	0	0	23,945,170
b. Personal Services Meal Preparation (Restricted)											
250,763	0	492,680	0	0	743,443	251,135	0	492,308	0	0	743,443
c. Home and Community-Based Waiver (Restricted)											
179,899	0	353,449	0	0	533,348	240,220	0	470,910	0	0	711,130
d. Direct Care Worker Wage Increase (Restricted)											
1,684,819	0	3,310,196	0	0	4,995,015	1,687,316	0	3,307,699	0	0	4,995,015
e. Southwest Montana Veterans' Home (Restricted)											
0	0	0	0	0	0	0	206,703	1,113,615	0	0	1,320,318
f. Nursing Home Rate Increase (Restricted)											
997,482	0	1,959,773	0	0	2,957,255	973,883	0	1,999,134	0	0	2,883,017
g. Short-Term Housing Assistance (Restricted/OTO)											
100,000	0	0	0	0	100,000	300,000	0	0	0	0	300,000
h. Medicaid Services -- Senior and Long-Term Care											
55,383,307	22,181,013	160,656,509	0	0	238,220,829	57,986,360	22,181,013	168,264,311	0	0	248,431,684
i. Traumatic Brain Injury (OTO)											
50,000	0	0	0	0	50,000	50,000	0	0	0	0	50,000
j. Partially Restore Community Waiver Services (Restricted)											
0	253,655	498,361	0	0	752,016	0	260,848	511,349	0	0	772,197
5. Addictive and Mental Disorders Division (33)											

	Fiscal 2014					Fiscal 2015						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
53,545,543	6,483,906	9,539,405	0	0	0	69,568,854	54,342,348	6,480,615	9,627,607	0	0	70,450,570
a. Mental Health Crisis Jail Diversion Services (Restricted)	0	201,591	0	0	0	201,591	0	201,591	0	0	0	201,591
b. One-Time Mental Health Crisis Jail Diversion Services (Restricted/OTO)	0	352,448	0	0	0	352,448	0	352,448	0	0	0	352,448
c. Prevent Jail Suicide (Restricted/Biennial/OTO)	0	0	125,000	0	0	125,000	0	0	125,000	0	0	125,000
d. Medicaid Services -- Addictive and Mental Disorders	10,658,340	8,717,204	40,310,010	0	0	59,685,554	11,341,262	8,956,844	42,032,024	0	0	62,330,130
e. Montana State Hospital Overtime Pay (Biennial)	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000

Total

345,064,583 127,478,324 884,030,459 0 0 1,356,573,366 362,421,766 130,370,108 936,550,862 0 0 1,429,342,736

The department of public health and human services must use \$107,826 in fiscal year 2014 and \$217,807 in fiscal year 2015 of funds in Developmental Services Division to raise nonmedicaid provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.

Targeted Case Management for Youth With Serious Emotional Disturbances may be used only to increase rates for children's mental health case management services to a level no less than the current fiscal year 2013 targeted case management rate for adults with severe disabling mental illness. This rate increase is in addition to and may not supplant or be supplanted by any other rate increase approved by the legislature for provider rates.

Expand Children's Services may be used only to screen additional children into the developmental disabilities comprehensive waiver to reduce the waiting list.

Medicaid Services -- Developmental Services includes \$2,811,336 in fiscal year 2014 and \$2,867,563 in fiscal year 2015 that may be used only to increase rates for children's mental health case management services to a level no less than the current fiscal year 2013 targeted case management rate for adults with severe disabling mental illness. This rate increase is in addition to and may not supplant or be supplanted by any other rate increase approved by the legislature for provider rates.

Medicaid Services -- Developmental Services includes \$1,985,352 in fiscal year 2014 and \$4,010,410 in fiscal year 2015 that may be used only to increase provider rates for developmental disabilities medicaid core services above the rate paid in fiscal year 2013. This rate increase is in addition to and may not supplant or be supplanted by any other rate

Fiscal 2014				Fiscal 2015			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total	Other	Total	Other

increase approved by the legislature for provider rates.

Medicaid Services -- Developmental Services, Medicaid Services -- Health Resources, Medicaid Services -- Senior and Long-Term Care, and Medicaid Services -- Addictive and Mental Disorders may be used only to pay for medicaid services for eligible medicaid enrollees for expenses recorded as benefits and claims in the state accounting system and may not be transferred to other uses in the department.

The department of public health and human services must use the following amounts of money in the following appropriations to raise medicaid provider rates, except those medicaid services funded by the federal children's health insurance grant, by 2% in fiscal year 2014 and by 2% in fiscal year 2015:

- (1) Medicaid Services -- Developmental Services, \$3,755,335 in fiscal year 2014 and \$7,585,778 in fiscal year 2015;
- (2) Medicaid Services -- Health Resources, \$4,650,249 in fiscal year 2014 and \$9,389,047 in fiscal year 2015;
- (3) Medicaid Services -- Senior and Long-Term Care, \$4,392,560 in fiscal year 2014 and \$8,872,971 in fiscal year 2015; and
- (4) Medicaid Services -- Addictive and Mental Disorders, \$1,097,758 in fiscal year 2014 and \$2,217,499 in fiscal year 2015.

The department of public health and human services must use \$317,812 in fiscal year 2014 and \$641,984 in fiscal year 2015 of funds in Health Resources Division to raise provider rates for those services funded from the federal children's health insurance program grant and for providers who are not paid by a third-party administrator by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.

The department of public health and human services must use \$209,887 in fiscal year 2014 and \$423,971 in fiscal year 2015 of funds in Senior and Long-Term Care Division to raise nonmedicaid provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.

County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of medicaid services provided. State special revenue in County Nursing Home Intergovernmental Transfer may be expended only after the office of budget and program planning has certified that the department has collected the amount that is necessary to make one-time payments to nursing homes based on the number of medicaid services provided and to fund the base budget in the nursing facility program and the community services program at the level of \$564,785 from counties participating in the intergovernmental transfer program for nursing facilities.

Personal Services Meal Preparation may be used only to provide personal assistance services for meal preparation for persons receiving medicaid services administered by the Senior and Long-Term Care Division.

Home and Community-Based Waiver may be used only to increase the number of service slots for medicaid services administered by the Senior and Long-Term Care Division. This funding may be used only to expand services above the level of additional service slots funded in the Money Follows the Person grant for elderly and physically disabled medicaid-eligible persons.

Direct Care Provider Rate Increase may be used only to raise provider rates for medicaid services to allow for continuation of wage increases or lump-sum payments to workers

Fiscal 2014				Fiscal 2015			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total	Other	Total	Other

who provide direct care and ancillary services.

Southwest Montana Veterans' Home is contingent on approval and receipt of federal funding to support construction of the southwest Montana veterans' home.

~~Nursing Home Rate increase may be used only to raise nursing home rates for medicare services above the level paid in fiscal year 2012 and may be used only to augment any other rate increase for nursing home medicare services funded in this act.~~

Short-Term Housing Assistance may be used only to provide financial assistance for housing for persons transitioning from medicare-funded facility-based care to community services through the Money Follows the Person grant program. Short-Term Housing Assistance may be used only to assist a person until that person is eligible for other housing assistance programs.

Partially Restore Community Waiver Services may be used only to fund services that were reduced in fiscal year 2014.

The department of public health and human services must use \$263,962 in fiscal year 2014 and \$533,203 in fiscal year 2015 of funds in Addictive and Mental Disorders Division to raise nonmedicaid provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.

Mental Health Crisis Jail Diversion Services and One-Time Mental Health Crisis Jail Diversion Services may be used only to fund grants to counties to develop mental health crisis jail diversion services in accordance with 53-21-1203.

Prevent Jail Suicide may be used only for a grant program with the goal of preventing jail suicides in detention centers.

TOTAL SECTION B

444,971,206	153,836,329	1,134,135,802	0	0	1,732,943,337	463,882,314	156,736,321	1,187,126,776	0	0	1,807,745,411
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	<u>Fiscal 2014</u>				<u>Fiscal 2015</u>				<u>Total</u>
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	

C. NATURAL RESOURCES AND TRANSPORTATION

DEPARTMENT OF FISH, WILDLIFE, AND PARKS (5201)

1.	Information Services Division (01)	0	4,358,326	10,692	0	0	4,369,018	0	4,360,173	10,692	0	0	4,370,865
2.	Fisheries Division (03)	0	7,832,020	9,444,836	0	0	17,276,856	0	7,846,959	9,469,792	0	0	17,316,751
	a. Aquatic Invasive Species Funding (OTO)	309,125	0	0	0	0	309,125	309,125	0	0	0	0	309,125
	b. Fishing Land Access (OTO)	0	10,000	0	0	0	10,000	0	10,000	0	0	0	10,000
	c. Contracted Services for Operation and Maintenance at Fishing Access Sites (Restricted/Biennial/OTO)	0	400,000	0	0	0	400,000	0	0	0	0	0	0
	d. Reporting (Restricted/Biennial/OTO)	0	1,000	0	0	0	1,000	0	0	0	0	0	0
3.	Law Enforcement Division (04)	0	9,393,902	382,838	0	0	9,776,740	0	9,410,971	383,666	0	0	9,794,637
	a. Warden Salary Adjustments (Restricted)	0	286,720	0	0	0	286,720	0	541,791	0	0	0	541,791
4.	Wildlife Division (05)	0	10,059,399	8,089,482	0	0	18,148,881	0	10,160,813	8,016,047	0	0	18,176,860
	a. Game Damage (Restricted/OTO)	0	11,500	0	0	0	11,500	0	11,500	0	0	0	11,500
	b. Grizzly Bear Study (Restricted/OTO)	0	300,000	0	0	0	300,000	0	0	0	0	0	0
5.	Parks Division (06)												

	Fiscal 2014				Fiscal 2015							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	0	7,472,974	165,869	0	0	7,638,843	0	7,488,490	166,199	0	0	7,654,689
a.	Parks Operations and Maintenance (Restricted)											
	0	82,000	0	0	0	82,000	0	82,000	0	0	0	82,000
b.	Parks Reservation System (Restricted/OTO)											
	0	50,000	0	0	0	50,000	0	100,000	0	0	0	100,000
c.	Parks Equipment (OTO)											
	0	200,000	0	0	0	200,000	0	200,000	0	0	0	200,000
d.	Snowmobile Program (Restricted/Biennial)											
	0	210,000	0	0	0	210,000	0	210,000	0	0	0	210,000
6.	Communication and Education Division (08)											
	0	2,651,372	730,453	0	0	3,381,825	0	2,655,950	731,148	0	0	3,387,098
a.	Shooting Ranges Funding (Restricted)											
	0	312,402	0	0	0	312,402	0	312,402	0	0	0	312,402
7.	Management and Finance (09)											
	0	9,304,587	62,661	0	0	9,367,248	0	9,318,104	61,779	0	0	9,379,883
a.	Legislative Audit (Restricted/Biennial)											
	0	83,140	14,671	0	0	97,811	0	0	0	0	0	0
8.	Fish and Wildlife Admin (12)											
	0	3,859,609	168,388	0	0	4,027,997	0	3,867,338	168,221	0	0	4,035,559
Total												

Contracted Services for Operations and Maintenance at Fishing Access Sites is restricted to contracted services for operations and maintenance, including but not limited to general upkeep, weed management, garbage pickup, and maintaining current sites prior to any purchases. If House Bill No. 401 is not passed and approved, then Contracted Services for Operation and Maintenance at Fishing Access Sites is void.

Fiscal 2014				Fiscal 2015			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
Total				Total			
				Other			
							Other
							Total

~~Reporting is restricted for the purpose of reporting to the environmental quality council and the joint appropriations subcommittee on natural resources and transportation. The Department of Fish, Wildlife, and Parks shall report to the environmental quality council by June 30, 2014, and to the 2015 session joint appropriations subcommittee on natural resources and transportation regarding the progress of maintenance of fishing access sites.~~

~~Warden Salary Adjustments is to be used for the department's warden salary increases for the 2015 biennium, based on a 6.82% increase calculated on salary data in the 2013 biennium. If House Bill No. 404 is not passed and approved, then Warden Salary Adjustments is void.~~

Wildlife Division includes a reduction in state special revenue of \$519,403 in fiscal year 2014 and \$522,032 in fiscal year 2015 and federal special revenue of \$213,635 in fiscal year 2014 and \$211,731 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

If House Bill No. 404 is passed and approved with a fund switch of \$1,259,209 for fiscal year 2014 and fiscal year 2015 from the wildlife habitat acquisition account to the hunting access account, the Wildlife Division is appropriated \$1,259,209 in state special revenue from the hunting account for hunting access and is restricted for the use of land contract expenditures.

DEPARTMENT OF ENVIRONMENTAL QUALITY (5301)

1.	Central Management Program (10)	305,432	1,201,531	325,572	0	0	1,832,535	305,682	1,161,938	365,148	0	0	1,832,768
2.	Planning, Prevention, and Assistance Division (20)	2,630,738	3,153,571	7,105,018	0	0	12,889,327	2,631,807	3,154,171	7,111,817	0	0	12,897,795
a.	Database Development (Restricted/Biennial/OTO)	0	150,000	0	0	0	150,000	0	0	0	0	0	0
3.	Enforcement Division (30)	517,710	461,409	360,048	0	0	1,339,167	518,091	461,071	359,786	0	0	1,338,948
4.	Remediation Division (40)	0	5,518,252	5,480,540	0	0	10,998,792	0	5,520,163	5,483,936	0	0	11,004,099
a.	Orphan Share Feasibility Study (Restricted/Biennial/OTO)	0	425,000	0	0	0	425,000	0	425,000	0	0	0	425,000
b.	Beal and Basin Reclamation (Restricted/Biennial)												

Fiscal 2014 Fiscal 2015

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
c. Additional Leaking Underground Storage Tank Expenses (OTO)	0	201,416	0	0	0	201,416	0	201,416	0	0	0	201,416
	0	400,000	0	0	0	400,000	0	0	0	0	0	0
5. Permitting and Compliance Division (50)												
1,768,951	16,781,018	6,634,628	0	0	0	25,184,597	1,770,115	16,800,790	6,627,243	0	0	25,198,148
a. Hard Rock Reclamation (Restricted/Biennial)												
0	2,812,946	0	0	0	0	2,812,946	0	2,812,946	0	0	0	2,812,946
b. Zortman/Landusky Additional Funding (Restricted/Biennial/OTO)												
0	250,000	0	0	0	0	250,000	0	250,000	0	0	0	250,000
c. Opencut Mining Program Database (Restricted/Biennial/OTO)												
0	100,000	0	0	0	0	100,000	0	0	0	0	0	0
d. Industrial Energy and Minerals Bureau Systems Specialist (OTO)												
0	81,753	0	0	0	0	81,753	0	77,298	0	0	0	77,298
e. Opencut Science Specialist (OTO)												
0	43,214	0	0	0	0	43,214	0	40,216	0	0	0	40,216
6. Petroleum Tank Release Compensation Board (90)												
0	618,052	0	0	0	0	618,052	0	618,042	0	0	0	618,042
Total	5,222,831	32,198,162	19,905,806	0	0	57,326,799	5,225,695	31,523,051	19,947,930	0	0	56,696,676

The Planning, Prevention, and Assistance Division is authorized to decrease federal special revenue and increase state special revenue in the drinking water and/or water pollution control revolving loan programs by a like amount within the administration account, when the amount of federal capitalization funds have been expended or when federal funds and bond proceeds will be used for other program purposes.

Permitting and Compliance Division includes a reduction in general fund of \$33,957 in fiscal year 2014 and \$33,712 in fiscal year 2015, state special revenue of \$290,347 in fiscal year 2014 and \$281,120 in fiscal year 2015, and federal special revenue of \$232,124 in fiscal year 2014 and \$242,060 in fiscal year 2015. The reduction is the equivalent of an

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
								Total
additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.								
If federal funds are received to help meet the annual shortfall in operating and maintenance costs at the Zorfman-Landusky mine sites, this orphan share spending authority will be reduced by the same amount.								
The department is appropriated up to \$1,000,000 of the funds recovered under the petroleum tank compensation board subrogation program in the 2015 biennium for the purpose of paying contract expenses related to the recovery of funds.								
DEPARTMENT OF TRANSPORTATION (5401)								
1. General Operations Program (01) (Biennial)								
	0	23,373,012	283,582	0	23,656,594	0	23,307,456	0
a. Legislative Audit (Restricted/Biennial)								
	0	171,169	0	0	171,169	0	0	0
2. Construction Program (02) (Biennial)								
	0	79,700,873	390,684,643	0	470,385,516	0	79,820,096	0
3. Maintenance Program (03) (Biennial)								
	0	125,245,389	7,668,289	0	132,913,678	0	120,562,566	0
4. Motor Carrier Services Division (22) (Biennial)								
	0	8,452,234	3,046,851	0	11,499,085	0	8,186,555	0
a. Scale Site Repair (Restricted/OTO)								
	0	14,158	0	0	14,158	0	14,158	0
b. CVIEW & CCAMS Projects (Biennial/OTO)								
	0	51,117	51,116	0	102,233	0	0	0
5. Aeronautics Program (40) (Biennial)								
	0	1,668,553	64,217	0	1,732,770	0	1,670,483	0
a. Lincoln Airport Runway Improvements (Restricted/OTO)								
	0	16,667	150,000	0	166,667	0	0	0
b. Aeronautics State System Plan (Biennial)								

	Fiscal 2014					Fiscal 2015					
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
						Total					
c. Aeronautics Grants, Loans & Pavement Preservation (Biennial)	0	15,000	135,000	0	0	150,000	0	15,000	135,000	0	150,000
	0	143,851	0	0	0	143,851	0	143,851	0	0	143,851
6. Rail, Transit, and Planning Division (50) (Biennial)	0	6,730,763	25,450,591	0	0	32,181,354	0	6,735,085	24,815,425	0	31,550,510
a. Pollution Prevention & Abatement (Restricted)	0	320,000	0	0	0	320,000	0	320,000	0	0	320,000
b. Rail Service Competition Council	0	50,000	0	0	0	50,000	0	50,000	0	0	50,000

Total

0 245,952,786 427,534,289 0 0 673,487,075 0 240,825,250 426,669,179 0 667,494,429

General Operations Program includes a reduction in state special revenue of \$2,019,394 in fiscal year 2014 and \$2,021,567 in fiscal year 2015 and federal special revenue of \$857,071 in fiscal year 2014 and \$858,224 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program.

All appropriations in the department are biennial.

All remaining federal pass-through grant appropriations for highway traffic safety, including reversions for the 2013 biennium, are authorized to continue and are appropriated in fiscal year 2014 and fiscal year 2015.

DEPARTMENT OF LIVESTOCK (5603)

1. Centralized Services Program (01)									
80,077	1,590,413	0	0	0	1,670,490	80,354	1,581,152	0	1,661,506
a. Legislative Audit (Restricted/Biennial)									

Fiscal 2014					Fiscal 2015				
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
0	34,933	0	0	34,933	0	0	0	0	0
b. Animal Health System Customization (OTO)									
5,000	0	0	0	5,000	0	0	0	0	0
a. Predator Control of Grizzly Bear (Restricted/OTO)									
-0	250,000	0	0	250,000	0	250,000	0	0	250,000
2. Diagnostic Laboratory Program (03)									
289,824	1,659,176	0	0	1,949,000	289,284	1,665,256	0	0	1,954,540
a. Milk Lab Incubator (OTO)									
0	2,000	0	0	2,000	0	0	0	0	0
b. Polymerase Chain Reaction Shaker/Micro (OTO)									
0	3,500	0	0	3,500	0	0	0	0	0
3. Animal Health Division (04)									
0	688,818	743,354	0	1,432,172	0	688,805	741,986	0	1,430,791
a. Designated Surveillance Area Vet and Compliance Specialist (OTO)									
133,447	0	0	0	133,447	133,245	0	0	0	133,245
b. Designated Surveillance Area Brucellosis Testing (OTO)									
373,168	0	0	0	373,168	373,168	0	0	0	373,168
4. Milk and Egg Program (05)									
0	401,265	28,490	0	429,755	0	405,251	28,490	0	433,741
5. Brands Enforcement Division (06)									
2,943	3,216,020	0	0	3,218,963	2,943	3,227,143	0	0	3,230,086
a. Brands Overtime (Restricted)									
0	55,979	0	0	55,979	0	55,979	0	0	55,979
6. Meat and Poultry Inspection Program (10)									
593,002	5,718	594,513	0	1,193,233	594,784	5,717	596,295	0	1,196,796

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
a. Meat Inspector Training (OTO)								
4,161	0	4,161	0	0	8,322	4,161	0	4,161
b. Meat Inspector Field Supplies (OTO)								
6,725	0	6,725	0	0	13,450	0	0	0
c. Meat Inspector (OTO)								
19,636	0	19,636	0	0	39,272	19,636	0	19,636
Total	1,507,983	7,907,822	1,396,879	0	10,812,684	1,497,575	7,879,303	1,390,568

Centralized Services Program includes a reduction in state special revenue of \$116,334 in fiscal year 2014 and \$116,408 in fiscal year 2015. Meat and Poultry Inspection

Program includes a reduction in general fund of \$18,130 in fiscal year 2014 and \$18,141 in fiscal year 2015 and federal special revenue of \$16,619 in fiscal year 2014 and \$16,630 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION (5706)

1. Centralized Services (21)	3,375,121	1,685,156	268,252	0	0	5,328,529	3,418,502	1,618,584	262,042	0	0	5,299,128
a. Legislative Audit (Restricted/Biennial)	122,264	0	0	0	0	122,264	0	0	0	0	0	0
2. Oil and Gas Conservation Division (22)	0	1,774,033	111,470	0	0	1,885,503	0	1,775,693	111,470	0	0	1,887,163
a. Education (Restricted/Biennial)	0	700,000	0	0	0	700,000	0	700,000	0	0	0	700,000
b. Procedure Manual and Field Inspections System (Restricted/Biennial/OTO)	0	120,000	0	0	0	120,000	0	0	0	0	0	0
c. Board of Oil and Gas Conservation Regulatory Program Adjustments (OTO)												

		Fiscal 2014				Fiscal 2015					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	0	40,360	0	0	0	40,360	0	40,452	0	0	40,452
d.	Board of Oil and Gas Conservation Underground Injection Control Program Adjustments (OTO)										
	0	28,130	0	0	0	28,130	0	28,130	0	0	28,130
e.	Board of Oil and Gas Conservation Enhanced Oil Recovery Study (OTO)										
	0	178,976	0	0	0	178,976	0	169,717	0	0	169,717
f.	Compliance and Field Inspections (OTO)										
	0	196,178	0	0	0	196,178	0	196,178	0	0	196,178
g.	Board of Oil and Gas Conservation Personal Services (Restricted)										
	0	100,000	0	0	0	100,000	0	100,000	0	0	100,000
3.	Conservation and Resource Development Division (23)										
1,002,489	8,709,493	274,966	0	0	9,986,948	1,004,541	8,709,590	274,966	0	0	9,989,097
a.	CARD Operating Adjustment (Restricted/OTO)										
	0	171,700	23,300	0	0	195,000	0	171,700	0	0	195,000
b.	Regional Water Administration Funds (Restricted/OTO)										
	0	47,500	0	0	0	47,500	0	47,500	0	0	47,500
c.	Yellowstone River Conservation District Council (Restricted/OTO)										
	0	75,000	0	0	0	75,000	0	0	0	0	0
d.	Sheridan County Conservation District (Restricted/OTO)										
	0	23,000	0	0	0	23,000	0	23,000	0	0	23,000
e.	Conservation District Support (Restricted/OTO)										
	0	287,000	0	0	0	287,000	0	287,000	0	0	287,000
f.	MT Salinity Drilling Equipment (Restricted/OTO)										
	0	112,000	0	0	0	112,000	0	0	0	0	0
g.	MT Salinity Technical Assistance (Restricted/OTO)										
	0	40,000	0	0	0	40,000	0	40,000	0	0	40,000

		Fiscal 2014			Fiscal 2015					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	
h.	MSU Montana Water Center (Restricted/OTO)									
0	400,000	0	0	400,000	0	0	0	0	0	
i.	Drinking Water Loan Forgiveness (Restricted/OTO)									
0	200,000	0	0	200,000	0	200,000	0	0	200,000	
j.	Montana Rural Water Systems (OTO)									
0	235,000	0	0	235,000	0	235,000	0	0	235,000	
k.	Montana Grass Conservation Commission (OTO)									
3,500	0	0	0	3,500	3,500	0	0	0	3,500	
4.	Water Resources Division (24)									
8,558,218	5,789,762	228,418	0	14,576,398	8,571,523	3,784,741	228,479	0	12,584,743	
a.	Stream Gaging (Restricted/OTO)									
28,726	0	0	0	28,726	29,700	0	0	0	29,700	
b.	Flood Plain Mapping (OTO)									
0	100,000	0	0	100,000	0	100,000	0	0	100,000	
5.	Forestry and Trust Lands (35)									
10,409,771	14,983,754	1,089,908	0	26,483,433	10,420,235	15,002,655	1,091,162	0	26,514,052	
a.	Narrow Band Radios (Restricted/OTO)									
86,353	42,533	0	0	128,886	86,353	42,533	0	0	128,886	
b.	Trust Land Management Division Land Transaction Funds (OTO)									
0	204,069	0	0	204,069	0	204,069	0	0	204,069	
c.	Trust Land Management Division MSU Morrill Trust Projects (Biennial/OTO)									
80,000	0	0	0	80,000	80,000	0	0	0	80,000	
Total	23,666,442	36,243,644	1,996,314	0	61,906,400	23,614,354	33,476,542	1,991,419	0	59,082,315

Fiscal 2014

Fiscal 2015

General Fund	State Special Revenue	Fiscal 2014			Total	Other	Fiscal 2015		
		Federal Special Revenue	Pro- pri- etary	Pro- pri- etary			State Special Revenue	Federal Special Revenue	Pro- pri- etary

During the 2015 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account is appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility.

During the 2015 biennium, up to \$100,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project.

During the 2015 biennium, up to \$2,200,000 of funds currently in or to be deposited in the state project hydropower earnings account is appropriated for the purpose of repairing, improving, or rehabilitating department state water projects.

The department is appropriated up to \$600,000 for the 2015 biennium from the natural resources operations account established in 15-38-301 for the purchase of prior liens on property held as loan security as provided in 85-1-615.

The department is appropriated up to \$200,000 for the 2015 biennium from the coal bed methane protection account established in 76-15-904 for potential landowner or water right holder claims for emergency loss of water related to coal bed methane development.

The department is authorized to decrease federal special revenue in the pollution control and/or drinking water revolving fund loan programs and increase state special revenue by a like amount within administration accounts when the amount of federal EPA CAP grant funds allocated for administration of the grant have been expended or federal funds and bond proceeds will be used for other program purposes as authorized in law providing for the distribution of funds.

If House Bill No. 556 is not passed and approved, Yellowstone River Conservation District Council, Sheridan County Conservation District, Conservation District Support, MT Salinity Drilling Equipment, MT Salinity Technical Assistance, and MSU Montana Water Center funding is void.

Forestry and Trust Lands includes ■ reduction in general fund of \$296,118 in fiscal year 2014 and \$296,363 in fiscal year 2015, state special revenue of \$345,471 in fiscal year 2014 and \$345,757 in fiscal year 2015, and federal special revenue of \$63,454 in fiscal year 2014 and \$63,506 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

DEPARTMENT OF AGRICULTURE (6201)

1. Central Management Division (15)

97,504	753,317	105,866	128,169	0	1,084,856	97,483	753,207	106,082	128,979	0	1,085,751
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a. Legislative Audit (Restricted/Biennial)

43,316	0	0	0	0	43,316	0	0	0	0	0	0
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2. Agricultural Sciences Division (30)

296,527	6,817,432	1,945,642	0	0	9,059,601	296,527	6,819,035	1,947,121	0	0	9,062,683
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	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary

Total

3. Agricultural Development Division (50)

532,011	1,449,063	25,000	446,104	0	2,452,178	533,058	1,450,161	25,000	445,667	0	2,453,886
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a. Food and Agricultural Development Program (Restricted/OTO)

0	105,000	0	0	0	105,000	0	105,000	0	0	0	105,000
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b. Wheat and Barley Committee (Restricted)

0	4,495,773	0	0	0	4,495,773	0	4,589,592	0	0	0	4,589,592
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Total

969,358	13,620,585	2,076,508	574,273	0	17,240,724	927,068	13,716,995	2,078,203	574,646	0	17,296,912
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Central Management Division includes a reduction in general fund of \$7,366 in fiscal year 2014 and \$7,398 in fiscal year 2015, state special revenue of \$80,398 in fiscal year 2014 and \$80,509 in fiscal year 2015, federal special revenue of \$46,249 in fiscal year 2014 and \$46,032 in fiscal year 2015, and proprietary funds of \$10,051 in fiscal year 2014 and \$10,252 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

If House Bill No. 420 is passed and approved, then Food and Agricultural Development Program is void.

TOTAL SECTION C

31,675,739	392,801,950	471,979,686	574,273	0	897,031,648	31,573,817	383,997,632	471,084,843	574,646	0	887,230,938
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Fiscal 2014

Fiscal 2015

D. JUDICIAL BRANCH, LAW ENFORCEMENT, AND JUSTICE														
JUDICIARY (2110)														
1. Supreme Court Operations (01)														
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue
9,699,483	241,555	120,882	0	0	10,061,920	9,802,413	241,556	120,841	0	0	10,164,810			
a. Legislative Audit (Restricted/Biennial)														
45,412	0	0	0	0	45,412	0	0	0	0	0	0			
b. Courtroom Technology (Biennial/OTO)														
222,450	0	0	0	0	222,450	0	0	0	0	0	0			
c. Increase Information Technology Staff (OTO)														
171,517	0	0	0	0	171,517	162,712	0	0	0	0	0			162,712
d. Court Help (Biennial/OTO)														
325,000	0	0	0	0	325,000	324,842	0	0	0	0	0			324,842
e. Judicial Standards (Restricted/Biennial)														
25,000	0	0	0	0	25,000	0	0	0	0	0	0			0
2. Law Library (03)														
870,647	0	0	0	0	870,647	874,238	0	0	0	0	0			874,238
3. District Court Operations (04)														
25,552,692	149,018	0	0	0	25,701,710	25,558,098	149,018	0	0	0	25,707,116			
4. Water Courts Supervision (05)														
0	2,110,902	0	0	0	2,110,902	0	2,108,515	0	0	0	2,108,515			
5. Clerk of Court (06)														
469,943	0	0	0	0	469,943	470,668	0	0	0	0	470,668			
Total														
37,382,144	2,501,475	120,882	0	0	40,004,501	37,192,971	2,499,089	120,841	0	0	39,812,901			

Fiscal 2014 Fiscal 2015

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
CRIME CONTROL DIVISION (4107)												
1. Justice System Support Service (01)												
	1,411,695	13,852	552,229	0	0	1,977,776	1,410,767	13,844	551,596	0	0	1,976,207
a. Pass-Through Grants (Biennial)												
	0	138,321	5,498,350	0	0	5,636,671	0	138,321	5,498,350	0	0	5,636,671
b. Juvenile Detention (Biennial)												
	931,923	0	0	0	0	931,923	931,923	0	0	0	0	931,923
Total	2,343,618	152,173	6,050,579	0	0	8,546,370	2,342,690	152,165	6,049,946	0	0	8,544,801

All pass-through grant authority is biennial.

All remaining pass-through grant appropriations, up to \$100,000 in general fund money, \$180,000 in state special revenue, and \$7 million in federal funds, including reversions, for the 2013 biennium are authorized to continue and are appropriated in fiscal year 2014 and fiscal year 2015.

DEPARTMENT OF JUSTICE (4110)

1. Legal Services Division (01)												
	6,043,502	189,998	412,411	0	0	6,645,911	6,033,578	189,998	412,405	0	0	6,635,981
a. Child and Family Ombudsman (Biennial)												
	125,000	0	0	0	0	125,000	125,000	0	0	0	0	125,000
b. Major Litigation -- Montana v. Wyoming Water Litigation (Restricted/Biennial/OTO)												
	1,000,000	0	0	0	0	1,000,000	1,000,000	0	0	0	0	1,000,000
2. Office of Consumer Protection (02)												
	0	867,076	0	0	0	867,076	0	870,964	0	0	0	870,964
3. Gambling Control Division (07)												
	0	2,799,826	0	1,143,591	0	3,943,417	0	2,806,505	0	1,146,319	0	3,952,824
4. Motor Vehicle Division (12)												

		Fiscal 2014				Fiscal 2015							
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
5.	Montana Highway Patrol (13)	7,978,597	10,133,100	0	586,467	0	18,698,164	7,997,520	10,564,503	0	591,259	0	19,153,282
	a. Bakken Highway Patrol Officer Outfitting (OTO)	0	34,282,166	0	0	0	34,282,166	0	34,352,953	0	0	0	34,352,953
		0	276,700	0	0	0	276,700	0	0	0	0	0	0
6.	Division of Criminal Investigation (18)	6,589,330	3,879,868	687,352	0	0	11,156,550	6,614,328	3,877,218	687,352	0	0	11,178,898
	a. Child Abuse Prevention (Restricted/OTO)	100,000	0	0	0	0	100,000	100,000	0	0	0	0	100,000
	b. POST Contracted Legal Costs (Restricted)	50,000	0	0	0	0	50,000	50,000	0	0	0	0	50,000
	c. Senate Bill 43 Investigator for Investigations at the Montana Developmental Center (Restricted)	97,064	0	0	0	0	97,064	97,064	0	0	0	0	97,064
7.	Central Services Division (28)	460,077	897,127	0	26,061	0	1,383,265	460,969	899,790	0	24,849	0	1,385,608
	a. Legislative Audit (Restricted/Biennial)	25,309	48,049	0	0	0	73,358	0	0	0	0	0	0
8.	Information Technology Services Division (29)	3,708,491	141,476	2,652	14,856	0	3,867,475	3,707,900	141,456	2,651	14,855	0	3,866,862
9.	Forensic Science Division (32)	3,690,901	342,099	0	0	0	4,033,000	3,688,252	342,368	0	0	0	4,030,620
	a. Forensic Science Division Equipment (Restricted/Biennial/OTO)	50,000	0	0	0	0	50,000	50,000	0	0	0	0	50,000
Total													

	Fiscal 2014			Fiscal 2015		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue

Total

Other

Proprietary

29,918,271 53,857,485 1,102,415 1,770,975 0 86,649,146 29,924,611 54,045,755 1,102,408 1,777,282 0 86,850,056

If House Bill No. 76 is not passed and approved, Child and Family Ombudsman is void.

Motor Vehicle Division includes a reduction in general fund of \$397,535 in fiscal year 2014 and \$399,973 in fiscal year 2015, state special revenue of \$171,421 in fiscal year 2014 and \$174,974 in fiscal year 2015, and proprietary funds of \$4,792 in fiscal year 2014. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

Division of Criminal Investigation includes \$387,811 in state special revenue in fiscal year 2014 and \$377,162 in state special revenue in fiscal year 2015 that is contingent upon passage and approval of House Bill No. 218 in a form that allows a direct appropriation of the oil and gas impact account for the purpose of funding costs of criminal investigators in the Bakken energy development impacted area of the state. If House Bill No. 218 is not passed and approved in a form that allows a direct appropriation of the oil and gas impact account for this purpose, state special revenue in Division of Criminal Investigation is reduced by \$387,811 in fiscal year 2014 and by \$377,162 in fiscal year 2015.

PUBLIC SERVICE COMMISSION (4201)

1. Public Service Regulation Program (01)	0	3,557,165	65,607	0	0	3,622,772	0	3,595,361	65,607	0	0	3,660,968
a. Legislative Audit (Restricted/Biennial)	0	20,960	0	0	0	20,960	0	0	0	0	0	0
b. Pay Retirement Benefits (Restricted/Biennial)	0	92,800	0	0	0	92,800	0	0	0	0	0	0

Total

0 3,670,925 65,607 0 0 3,736,532 0 3,595,361 65,607 0 0 3,660,968

Public Service Regulation Program includes a reduction in state special revenue of \$49,888 in fiscal year 2014 and \$49,950 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings.

OFFICE OF STATE PUBLIC DEFENDER (6108)

1. Office of State Public Defender (01)	23,400,417	190,751	0	0	0	23,591,168	23,515,752	186,942	0	0	0	23,702,694
a. Legislative Audit (Restricted/Biennial)												

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
54,145		0	0	0	54,145	0	0	0
b. Attorney Career Ladder (Restricted)								
1,209,927		0	0	0	1,209,927	0	0	0
c. Capital Case Defense (Restricted/Biennial/OTO)								
250,000		0	0	0	250,000	0	0	0
2. Office of Appellate Defender (02)								
1,216,705		90,793	0	0	1,307,498	86,984	0	0
a. Attorney Career Ladder (Restricted)								
72,453		0	0	0	72,453	0	0	0
Total	26,203,647	281,544	0	0	26,485,191	273,926	0	0

Office of State Public Defender includes a reduction in general fund of \$271,617 in fiscal year 2014 and \$271,550 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

DEPARTMENT OF CORRECTIONS (6401)

1. Administration and Support Services (01)								
18,330,908	692,539	0	66,167	0	19,089,614	18,345,453	691,166	63,011
a. Legislative Audit (Restricted/Biennial)								
108,291	0	0	0	0	108,291	0	0	0
b. Outside Medical Inflationary Increase (Restricted/Biennial)								
1,027,622	0	0	0	0	1,027,622	0	0	0
c. Montana State Prison Door Control System (Restricted/Biennial/OTO)								
48,632	0	0	0	0	48,632	0	0	0
d. Montana State Prison Water Telemetry System (Restricted/Biennial/OTO)								
50,000	0	0	0	0	50,000	0	0	0

	General Fund	Fiscal 2014				Fiscal 2015			
		State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
e. Vocational Training (Restricted/Biennial/OTO)									
159,618		0	0	0	159,618	0	0	0	0
f. Inmate Adult Educational Assessment Software (Restricted/OTO)									
20,000		0	0	0	20,000	20,000	0	0	0
g. Montana State Prison Employee Training Lab (Restricted/Biennial/OTO)									
15,750		0	0	0	15,750	0	0	0	0
2. Adult Community Corrections (02)									
61,056,337		1,475,211	0	0	62,531,548	61,210,977	1,475,211	0	0
a. Per Diem for Adult Pre-release Centers (Restricted)									
439,357		0	0	0	439,357	878,714	0	0	0
b. Per Diem for Adult Treatment (Restricted)									
245,811		0	0	0	245,811	602,323	0	0	0
c. Reentry Coordination (Restricted)									
0		25,000	0	0	25,000	0	25,000	0	0
3. Secure Custody Facilities (03)									
78,908,107		104,816	0	0	79,012,923	79,973,365	104,816	0	0
a. Montana Women's Prison Supplies (Restricted/Biennial/OTO)									
25,000		0	0	0	25,000	35,000	0	0	0
b. Montana State Prison Supplies and Equipment (Restricted/Biennial/OTO)									
110,000		0	0	0	110,000	30,000	0	0	0
c. Montana State Prison Van Replacement (Restricted/Biennial/OTO)									
110,000		0	0	0	110,000	0	0	0	0
4. Montana Correctional Enterprises (04)									
824,496		2,515,468	0	0	3,339,964	826,693	2,515,498	0	0
5. Youth Services (05)									

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
17,787,983		1,081,784	16,005	0	18,885,772	1,081,784	16,005	0
a. Riverside Safety and Security Equipment (Restricted/Biennial/OTO)								
100,000	0	0	0	0	100,000	0	0	0
Total	179,367,912	5,894,818	16,005	66,167	185,344,902	180,767,375	16,005	63,011

186,739,866

Administration and Support Services includes appropriations of \$8,050,772 in general fund in each year for outside medical costs that are biennial.
Administration and Support Services includes a reduction in general fund of \$685,990 in fiscal year 2014 and \$684,700 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

Adult Community Corrections includes reductions in general fund of \$228,798 in each year to remove funding for 12 male prerelease beds. Reductions at prerelease centers in Great Falls and Missoula may not be made to implement the reductions.

All appropriations for Adult Community Corrections and Secure Custody Facilities are biennial.
Secure Custody Facilities includes \$239,148 in general fund money in fiscal year 2014 and \$484,428 in general fund money in fiscal year 2015 that may be used only for provider rate increases for contracted beds operated by private for-profit providers. In addition, Secure Custody Facilities includes \$560,056 in general fund money in fiscal year 2014 and \$560,056 in general fund money in fiscal year 2015 that may be used only for reimbursement to private for-profit providers for prevailing wages as obligated under contract.

TOTAL SECTION D	275,215,592	66,358,420	7,355,488	1,837,142	0	350,766,642	276,494,728	66,459,771	7,354,807	1,840,293	0	352,149,599
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Fiscal 2014

Fiscal 2015

	General Fund	State Special Revenue	Fiscal 2014			Total	General Fund	State Special Revenue	Fiscal 2015			Total
			Special Revenue	Propri- etary	Other				Special Revenue	Propri- etary	Other	

E. EDUCATION

OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION (3501)

1.	OPI Administration (06)											
	10,033,158	257,048	16,145,599	0	0	26,435,805	10,048,526	257,109	16,150,388	0	0	26,456,023
a.	Disaster/Data Maintenance (Restricted/OTO)											
	45,324	0	0	0	0	45,324	0	0	0	0	0	0
b.	Chapter 55 Amendment (Restricted/OTO)											
	92,513	0	0	0	0	92,513	88,793	0	0	0	0	88,793
c.	Montana Digital Academy (Restricted/Biennial/OTO)											
	715,000	0	0	0	0	715,000	750,000	0	0	0	0	750,000
d.	National Board Certified Teachers (Restricted/OTO)											
	27,000	0	0	0	0	27,000	57,000	0	0	0	0	57,000
e.	Audiological Services (Restricted/Biennial/OTO)											
	68,186	0	0	0	0	68,186	68,186	0	0	0	0	68,186
f.	Striving Readers Administration (Restricted/Biennial/OTO)											
	0	0	393,458	0	0	393,458	0	0	393,458	0	0	393,458
g.	OPI Staffing Information Systems (OTO)											
	155,422	0	0	0	0	155,422	148,717	0	0	0	0	148,717
h.	School-Based Mental Health (OTO)											
	109,725	0	0	0	0	109,725	105,959	0	0	0	0	105,959
2.	Distribution to Public Schools (09)											
	0	0	150,164,220	0	0	150,164,220	0	0	151,724,220	0	0	151,724,220
a.	BASE Aid											
	565,029,971	0	0	0	0	565,029,971	580,680,837	0	0	0	0	580,680,837
b.	At-Risk Payment											

		Fiscal 2014			Fiscal 2015						
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total

5,044,500	0	0	0	0	5,044,500	5,149,426	0	0	0	0	5,149,426
c. Special Education											
42,017,992	0	0	0	0	42,017,992	42,891,966	0	0	0	0	42,891,966
d. Transportation											
12,316,253	0	0	0	0	12,316,253	12,416,253	0	0	0	0	12,416,253
e. In-State Treatment											
787,800	0	0	0	0	787,800	787,800	0	0	0	0	787,800
f. Career and Technical Education											
1,500,000	0	0	0	0	1,500,000	1,500,000	0	0	0	0	1,500,000
g. Adult Basic Education											
525,000	0	0	0	0	525,000	525,000	0	0	0	0	525,000
h. Gifted and Talented											
250,000	0	0	0	0	250,000	250,000	0	0	0	0	250,000
i. School Foods											
663,861	0	0	0	0	663,861	663,861	0	0	0	0	663,861
j. Reimbursement Block Grants											
58,569,130	0	0	0	0	58,569,130	66,334,425	0	0	0	0	66,334,425
k. State Tuition Payments											
785,658	0	0	0	0	785,658	824,941	0	0	0	0	824,941
l. Advancing Agricultural Education											
128,960	0	0	0	0	128,960	128,960	0	0	0	0	128,960
m. Chapter 55 Professional Development and Stipends (Restricted/OTO)											
250,000	0	0	0	0	250,000	250,000	0	0	0	0	250,000
n. School Technology (Restricted/OTO)											
1,000,000	0	0	0	0	1,000,000	0	0	0	0	0	0

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
o. School Facility Debt Service (Restricted/Biennial)								
	0	8,586,000	0	0	0	8,586,000	0	0
p. Traffic Safety Distribution (Restricted/Biennial)								
	0	750,000	0	0	0	750,000	0	0
q. Novice Traffic Education Reimbursement								
	0	1,017,254	0	0	0	831,210	0	0
r. Striving Readers Competency and Literacy (Restricted/OTO)								
	0	0	7,475,743	0	0	0	7,475,743	0
s. State School Oil and Natural Gas Impact Account (Restricted/Biennial)								
	0	1,000,000	0	0	0	700,000	0	0
Total	700,115,453	11,610,302	174,179,020	0	885,904,775	11,124,319	175,743,809	0

OPI Administration includes a reduction in general fund of \$86,615 in fiscal year 2014 and \$86,736 in fiscal year 2015, state special revenue of \$4,331 in fiscal year 2014 and \$4,337 in fiscal year 2015, and federal special revenue of \$125,592 in fiscal year 2014 and \$125,768 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

The office of public instruction may distribute funds from the appropriation for In-State Treatment to public school districts for the purpose of providing educational costs of children with significant behavioral or physical needs.

All revenue up to \$1.8 million in the traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5.

All appropriations for federal special revenue programs in state level activities and in local education activities and all general fund appropriations in local education activities are biennial.

Novice Traffic Education Reimbursement is void if House Bill No. 178 is not passed and approved.

BOARD OF PUBLIC EDUCATION (5101)

1. K-12 Education (01)

Fiscal 2014

Fiscal 2015

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
192,710	167,999	0	0	0	0	360,709	192,932	168,186	0	0	0	361,118
a. Legislative Audit (Restricted/Biennial)												
16,418	0	0	0	0	0	16,418	0	0	0	0	0	0
Total	209,128	167,999	0	0	0	377,127	192,932	168,186	0	0	0	361,118
SCHOOL FOR THE DEAF AND BLIND (5113)												
1. Administration Program (01)												
425,199	2,800	0	0	0	0	427,999	423,849	2,940	0	0	0	426,789
a. Legislative Audit (Restricted/Biennial)												
20,261	0	0	0	0	0	20,261	0	0	0	0	0	0
2. General Services Program (02)												
474,666	0	0	0	0	0	474,666	475,564	0	0	0	0	475,564
3. Student Services (03)												
1,498,102	0	23,000	0	0	0	1,521,102	1,499,950	0	23,000	0	0	1,522,950
4. Education (04)												
3,862,627	260,280	48,760	0	0	0	4,171,667	3,855,651	260,280	48,760	0	0	4,164,691
a. Professional Development (Restricted/OTO)												
25,000	0	0	0	0	0	25,000	25,000	0	0	0	0	25,000
b. Extracurricular Compensation (Restricted)												
26,938	0	0	0	0	0	26,938	26,938	0	0	0	0	26,938
c. Upgrade Equipment -- Lending Library (Biennial/OTO)												
25,000	0	0	0	0	0	25,000	0	0	0	0	0	0
Total												

		Fiscal 2014				Fiscal 2015					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
6,357,793	263,080	71,760	0	0	6,692,633	6,306,952	263,220	71,760	0	0	6,641,932
MONTANA ARTS COUNCIL (5114)											
1. Promotion of the Arts (01)											
465,226	220,123	0	0	0	685,349	476,907	215,923	0	0	0	692,830
a. Legislative Audit (Restricted/Biennial)											
20,960	0	0	0	0	20,960	0	0	0	0	0	0
b. Federal Funds (Biennial)											
0	0	697,430	0	0	697,430	0	0	684,122	0	0	684,122
c. Arts in Education Grants (Biennial/OTO)											
55,000	0	0	0	0	55,000	0	0	0	0	0	0
d. Arts in Education --- Box Elder Fine Arts Glass Blowing (Restricted/Biennial/OTO)											
35,000	0	0	0	0	35,000	0	0	0	0	0	0

Total

Total	576,186	220,123	697,430	0	0	1,493,739	476,907	215,923	684,122	0	0	1,376,952
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Arts in Education -- Box Elder Fine Arts Glass Blowing includes general fund of \$35,000 as a restricted, biennial, one-time-only appropriation to the Montana arts council for the 2015 biennium to issue a grant to the Box Elder schools fine arts glass blowing program. At least \$30,000 of the grant must be allocated for propane and glass costs and up to \$5,000 may be allocated to reimburse participating schools for travel expenses. The grant must be used to supplement local funding for the program.

MONTANA STATE LIBRARY COMMISSION (5115)

1.	Statewide Library Resources (01)											
2,796,134	1,800,386	364,870	0	0	4,961,390	2,790,572	1,799,683	364,873	0	0	4,955,128	
a.	Legislative Audit (Restricted/Biennial)											
20,960	0	0	0	0	20,960	0	0	0	0	0	0	
b.	Water Information System (Restricted/OTO)											
72,472	0	0	0	0	72,472	72,362	0	0	0	0	72,362	

	Fiscal 2014					Fiscal 2015						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
c.	Talking Book Library Transition (Restricted/OTO)											
25,000		0	0	0	0	25,000	0	0	0	0	0	0
d.	Distribution to Local Libraries (Restricted/OTO)											
292,936		0	0	0	0	292,936	292,936	0	0	0	0	292,936
e.	Library Services and Technology Act Grants (Biennial)											
0		0	1,300,000	0	0	1,300,000	0	0	200,000	0	0	200,000
Total												
3,207,502	1,800,386		1,664,870	0	0	6,672,758	3,155,870	1,799,683	564,873	0	0	5,520,426

If House Bill No. 38 is not passed and approved, Statewide Library Resources is decreased by \$954,062 in fiscal year 2014 and \$953,359 in fiscal year 2015 in state special

revenue.

MONTANA HISTORICAL SOCIETY (5117)

[illegible]

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
	140,267	0	0	284,827	0	0	0	285,587
5. Education Program (05)					140,958			
	284,435	103,670	0	21,690	284,321	103,590	0	21,690
6. Historic Preservation Program (06)								
	35,203	0	633,267	10,077	35,158	0	632,787	10,130
Total	3,418,356	710,814	720,187	595,861	3,118,310	710,577	719,719	593,598

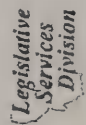
Administration Program includes a reduction in general fund of \$47,152 in fiscal year 2014 and \$44,010 in fiscal year 2015, state special revenue of \$2,089 in fiscal year 2014 and \$2,253 in fiscal year 2015, federal special revenue of \$9,950 in fiscal year 2014 and \$9,938 in fiscal year 2015, and proprietary funds of \$6,545 in fiscal year 2014 and \$9,552 in fiscal year 2015. The reduction is equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

MONTANA UNIVERSITY SYSTEM, INCLUDING OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION AND EDUCATIONAL UNITS AND AGENCIES (5100)

1. OCHE -- Administration Program (01)									
	2,538,144	0	338,470	75,093	2,951,707	2,556,529	0	334,065	74,290
a. Legislative Audit (Restricted/Biennial)									
	41,919	0	0	0	41,919	0	0	0	0
2. OCHE -- Student Assistance Program (02)									
	9,860,514	149,530	0	0	10,010,044	10,529,816	149,530	0	0
a. GSL/Student Assistance Fund Allocation (OTO)									
	2,587,890	0	0	0	2,587,890	2,587,890	0	0	0
b. Quality Educator Loan Forgiveness (Restricted/OTO)									
	243,110	0	0	0	243,110	243,110	0	0	0
c. Veterans' Success (Restricted/Biennial/OTO)									
	500,000	0	0	0	500,000	500,000	0	0	0

		Fiscal 2014				Fiscal 2015			
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
					Other	Total			Other
3.	OCHE -- Improving Teacher Quality (03)								
		0	0	392,117	0	392,117	0	342,580	0
4.	OCHE -- Community College Assistance (04) (Biennial)								
		12,439,325	0	0	0	12,439,325	12,440,785	0	0
a.	Legislative Audit (Restricted/Biennial)								
		73,852	0	0	0	73,852	0	0	0
b.	Workforce Development Programs (OTO)								
		500,000	0	0	0	500,000	500,000	0	0
5.	OCHE -- Educational Outreach and Diversity (06)								
		90,971	0	4,449,177	0	4,540,148	90,782	4,451,804	0
6.	OCHE -- Workforce Development Program (08)								
		90,067	0	6,186,975	0	6,277,042	90,067	6,185,867	0
7.	OCHE -- Appropriation Distribution Transfers (09)								
		145,004,305	19,496,720	0	0	164,501,025	146,828,116	20,003,477	0
a.	Legislative Audit (Restricted/Biennial)								
		530,974	0	0	0	530,974	0	0	0
b.	Workforce Development and 2-Year Education (OTO)								
		500,000	0	0	0	500,000	500,000	0	0
c.	Veterinary Medicine (Biennial/OTO)								
		500,000	0	0	0	500,000	500,000	0	0
d.	Energy and Natural Resources Doctoral Program (Biennial/OTO)								
		300,000	0	0	0	300,000	300,000	0	0
e.	Bio-Energy Research Center (Biennial/OTO)								
		200,000	0	0	0	200,000	200,000	0	0
f.	Agricultural Experiment Station								

	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
g. Agricultural Experiment Station -- Montana Seed Lab (OTO) --								
125,000	0	0	0	0	125,000	0	0	0
h. Extension Service								
5,399,931	0	0	0	0	5,399,931	0	0	0
i. Extension Service -- Schuttler Diagnostic Laboratory (OTO) --								
200,000	0	0	0	0	200,000	0	0	0
j. Extension Service -- Local Government Center (OTO)								
100,000	0	0	0	0	100,000	0	0	0
k. Forest & Conservation Experiment Station								
977,138	0	0	0	0	977,138	0	0	0
l. Bureau of Mines and Geology								
3,514,146	841,886	0	0	0	3,511,549	841,886	0	0
m. Coal and Mine Data Records (Restricted/OTO)								
0	300,000	0	0	0	0	300,000	0	0
n. Fire Services Training School								
673,555	0	0	0	0	673,555	0	0	0
8. Tribal College Assistance Program (11) (Biennial)								
842,085	0	0	0	0	842,085	0	0	0
a. Increase Tribal College Assistance (OTO)								
184,442	0	0	0	0	184,442	0	0	0
9. OCHE -- Guaranteed Student Loan (12)								
0	0	45,840,514	0	0	0	0	45,840,513	0
a. Legislative Audit (Restricted/Biennial)								
0	0	15,720	0	0	0	0	0	0



	Fiscal 2014				Fiscal 2015			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
10. OCHE -- Board of Regents (13)								
	69,087	0	0	0	69,087	69,169	0	0
Total								
201,028,383	20,788,136	57,222,973	75,093	0	279,114,585	202,934,650	21,294,893	57,154,829

69,169

Total

201,028,383 20,788,136 57,222,973 75,093 0 279,114,585 202,934,650 21,294,893 57,154,829 74,290 0 281,458,662

Items designated as OCHE--Administration (01), OCHE Student Assistance (02), Improving Teacher Quality (03), Educational Outreach and Diversity (06), Workforce Development (08), Appropriation Distribution Transfers (09) [excluding Agriculture Experiment Station, Extension Service, Forest and Conservation Experiment Station, Bureau of Mines and Geology, and Fire Services Training School] Guaranteed Student Loan (12), and the Board of Regents (13) are a single biennial lump-sum appropriation.

General fund money, state and federal special revenue and proprietary fund revenue appropriated to the board of regents are included in all Montana university system programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill No. 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), according to board policy.

The Montana university system, except the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, except for information pertaining to individual students or individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g.

The Montana university system shall provide the electronic data required for entering human resource data for the current unrestricted operating funds into the Montana Budgeting and Reporting System (MBARS). The salary and benefit data provided must reflect approved board of regents operating budgets.

OCHE -- Administration program includes a reduction in general fund of \$44,320 in fiscal year 2014 and \$44,307 in fiscal year 2015, federal special revenue of \$80,406 in fiscal year 2014 and \$80,399 in fiscal year 2015, and proprietary funds of \$1,176 in fiscal year 2014 and \$1,176 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.

Veterans' Success in OCHE -- Student Assistance Program may be used only to provide space and services to meet veterans' needs for access to and completion of postsecondary education.

The variable cost of education for each full-time equivalent student at the community colleges is \$2,314 each year of the 2015 biennium. The general fund appropriation for OCHE--Community College Assistance (04) provides 50.8% of the fixed costs of education plus 50.8% of the variable cost of education for each full-time equivalent student in each year of the 2015 biennium. The remaining percentage of the budget must be paid from funds other than those appropriated for OCHE--Community College Assistance.

Fiscal 2014

State	Federal
Special	Special
Revenue	Revenue
<u>General Fund</u>	<u>Proprietary</u>

TotalOtherProprietaryRevenueState Special RevenueGeneral FundTotalOtherFiscal 2015

Federal
Special
Revenue

State Special RevenueGeneral FundTotalOtherProprietaryFederal Special Revenue

The general fund appropriation for OCHE -- Community College Assistance is calculated to fund education in the community colleges for an estimated 2,288 resident FTE students each year of the 2015 biennium. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges shall revert general fund money to the state in accordance with 17-7-142.

Total audit costs are estimated to be \$145,378 for the community colleges for the biennium. The general fund appropriation for each community college provides 50.8% of the total audit costs in the 2015 biennium. The remaining 49.2% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$55,000 for Dawson, \$44,520 for Miles and \$45,858 for Flathead Valley community college.

Revenue anticipated to be received by the Montana university system units and colleges includes interest earnings and other revenues of \$956,891 for each year of the 2015 biennium. These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in OCHE--Appropriation Distribution Transfers.

Anticipated interest earnings and other revenue of \$8,500 each year of the 2015 biennium is appropriated to the agricultural experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated interest earnings of \$1,500 each year of the 2015 biennium is appropriated to the extension service for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated interest revenue of \$800 in each year of the 2015 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated sales revenue of \$40,000 each year in the 2015 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated interest revenue of \$200 each year of the 2015 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Total audit costs are estimated to be \$530,974 for the university system educational units and public service/research agencies, other than the office of the commissioner of higher education. Audit costs charged to the educational units and public service/research agencies for the 2015 biennium may not exceed \$265,487 for the University of Montana and \$265,487 for Montana State University.

OCHE -- Appropriation Distribution Transfers includes \$1,442,114 in fiscal year 2014 and \$1,384,114 in fiscal year 2015 that must be transferred to the energy conservation

[illegible]

program account and used to retire the general obligation bonds sold to fund energy improvements or repay loans received for energy improvements through the state energy conservation program. The costs of this transfer in each year of the 2015 biennium are as follows: University of Montana-Missoula, \$468,659 each year; University of Montana- Western, \$147,867 each year; University of Montana-Montana Tech, \$32,099 each year; Helena College, \$64,104 each year; Montana State University-Bozeman \$383,410 in fiscal year 2014 and \$325,410 in fiscal year 2015; Montana State University-Northern, \$85,336 each year; Montana State University-Billings \$170,542 each year; and Great Falls College, \$86,500 each year of the biennium.

The Montana university system shall pay \$88,506 for the 2015 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana state library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.

TOTAL SECTION E											
914,912,801	35,560,840	234,556,240	670,954	0	1,185,700,835	939,856,271	35,576,801	234,939,112	667,888	0	1,211,040,072
TOTAL STATE FUNDING											
1,756,967,347	726,576,253	1,941,036,172	23,793,776	0	4,448,373,548	1,806,027,868	714,352,705	1,991,862,264	23,420,801	0	4,535,663,638

Section 10. Rates. Internal service fund type fees and charges established by the legislature for the 2015 biennium in compliance with 17-7-123(1)(f)(ii) are as follows:

Fiscal 2014 Fiscal 2015

DEPARTMENT OF REVENUE -- 5801

1. Citizen Services and Resource Management Division

Delinquent Account Collection Fee (percent of amount collected) 5%

DEPARTMENT OF ADMINISTRATION -- 6101

1. Director's Office

a. Management Services

Total Allocation of Costs, excluding portion of unit for HR \$1,269,878

Portion of Unit for Human Resources Charges Per FTE of User Programs \$603

2. State Accounting Division

a. SABHRS Finance and Budget Bureau

SABHRS Services Fee (total allocation of costs) \$3,346,369

b. Warrant Writer

Mailer \$0.67693

Nonmailer \$0.24493

Emergency \$9.88544

Duplicates \$7.08394

Externals

Externals - Payroll \$0.18730

Externals - Other \$0.12394

Direct Deposit

Direct Deposit - Mailer \$0.70654

Direct Deposit - No Advice Printed \$0.12394

Unemployment Insurance

*Legislative
Services
Division*

Mailer - Print Only

\$0.12099 \$0.12652

Direct Deposit - No Advice Printed

\$0.03618 \$0.03614

3. General Services Division

a. Facilities Management Bureau

Office Rent (per sq. ft.)

\$8.434 \$8.217

Warehouse Rent (per sq. ft.)

\$4.625 \$4.637

Grounds Maintenance (per sq. ft.)

\$0.491 \$0.493

Project Management - In-house

15% 15%

Project Management - contracted

5% 5%

\$2,393,219 of revenue collected related to Facilities Management rates is to be deposited into a State Special Revenue Fund. These types of projects are appropriated in HB 5

for major maintenance projects on the Capitol Complex.

b. Print and Mail Services

Internal Printing

Impression Cost

1-20

\$0.0800 \$0.0800

21-100

\$0.0360 \$0.0360

101-1000

\$0.0200 \$0.0200

1001-5000

\$0.0080 \$0.0080

5000+

\$0.0040 \$0.0040

Color Copy

8 ½ x 11

\$0.25 \$0.25

11 x 17

\$0.50 \$0.50

Ink

Black per Sheet

\$0.0002 \$0.0002

Color

\$15.00 \$15.00

Special Mix	\$25.00	\$25.00
Large Format Color per ft.	\$12.70	\$12.70
Collating Machine	\$0.0080	\$0.0080
Collating Hand	\$0.60	\$0.60
Stapling Hand	\$0.018	\$0.018
Stapling In-line	\$0.012	\$0.012
Saddle Stitch	\$0.036	\$0.036
Folding (base + per sheet)	\$12.00 + \$0.006	\$12.00 + 0.006
Folding Rt Angle (base + per sheet)	\$12.00 + \$0.006	\$12.00 + 0.006
Folding In-line	\$0.036	\$0.036
Punching Standard 3-hole	\$0.0012	\$0.0012
Punching Nonstandard (base + per sheet)	\$3.60 + \$0.0012	\$3.60 + 0.0012
Cutting	\$0.66	\$0.66
Padding	\$0.0024	\$0.0024
Scoring, perf, num (setup + duplicating rate)	\$6.00 + Dup Rate	\$6.00 + Dup Rate
Perfect Binding (setup + per sheet)	\$18.00 + \$0.66	\$18.00 + \$0.66
Spiral Binding	\$0.69	\$0.69
Laminating		
8 1/2 x 11	\$0.57	\$0.57
11 x 17	\$0.85	\$0.85
Tape Binding	\$0.60	\$0.60
Tabs	\$0.60	\$0.60
Transparencies	\$0.60	\$0.60
Shrink Wrapping	\$0.30	\$0.30
Hand Work Production	\$0.60	\$0.60

Overtime	\$24.00	\$24.00
Desktop	\$50.00	\$50.00
Scan	\$9.52	\$9.52
Proof	\$0.25	\$0.25
Programming	\$50.00	\$50.00
File Transfer	\$25.00	\$25.00
Variable Data	\$0.020	\$0.020
Mainframe Printing	\$0.069	\$0.069
CD Duplicating	\$1.75	\$1.75
DVD Duplicating	\$3.50	\$3.50
CTP Plates		
8 ½ x 11	\$9.20	\$9.20
11 x 17	\$10.35	\$10.35
External Printing		
Percent of Invoice markup	6.73%	6.73%
Photocopy Pool		
Percent of Invoice markup	15.9%	15.9%
Inventory		
Percent of Invoice markup	15.0%	15.0%
Mail Preparation		
Tabbing	\$0.021	\$0.021
Labeling	\$0.021	\$0.021
Ink Jet	\$0.034	\$0.034
Inserting	\$0.030	\$0.030
Waymark	\$0.069	\$0.069

Permit Mailings	\$0.069	\$0.069
Mail Operations		
Machinable	\$0.043	\$0.043
Nonmachinable	\$0.100	\$0.100
Seal Only	\$0.020	\$0.020
Postcards	\$0.060	\$0.060
Certified Mail	\$0.614	\$0.614
Registered Mail	\$0.614	\$0.614
International Mail	\$0.500	\$0.500
Flats	\$0.140	\$0.140
Priority	\$0.614	\$0.614
Express Mail	\$0.614	\$0.614
USPS Parcels	\$0.500	\$0.500
Insured Mail	\$0.614	\$0.614
Media Mail	\$0.307	\$0.307
Standard Mail	\$0.200	\$0.200
Postage Due	\$0.061	\$0.061
Fee Due	\$0.061	\$0.061
Tapes	\$0.245	\$0.245
Express Services	\$0.500	\$0.500
Interagency Mail	\$314,750 yearly	\$314,750 yearly
Postal Contract (Capitol)	\$38,976 yearly	\$38,976 yearly
c. Central Stores Program		
Markup as a Percentage of Retail Cost of Goods Sold	2%	2%

4. Information Technology Services Division

Rates Maintained/Based Upon Financial Transparency Model (FTM)

Operations of the Division

30-Day Working Capital Reserve

5. Health Care and Benefits Division

Because state employee benefit plans require a large number of individual contributions for a variety of benefit options, because the portion of the contributions paid by the state is statutorily established in 2-18-703, and because the employee and retiree-paid portion of those contributions must be adjusted from time to time to meet the requirements of 2-18-812(1) to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines "rates and fees" for state employee programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward group benefits necessary to meet the requirements of 2-18-812(1).

a. Workers' Compensation Management Program

Administrative Fee (per payroll warrant per pay period)

\$0.82

\$0.82

b. Flexible Spending Account Program

\$2.26

\$2.26

6. State Human Resources Division

a. Intergovernmental Training

Open Enrollment Courses

Two-Day Course (per participant)

\$190.00

\$190.00

One-Day Course (per participant)

\$123.00

\$123.00

Half-Day Course (per participant)

\$95.00

\$95.00

Eight-Day Management Series (per participant)

\$570.00

\$570.00

Six-Day Management Series (per participant)

\$440.00

\$440.00

Four-Day Administrative Series (per participant)

\$333.00

\$333.00

Contract Courses

Full-Day Training (flat fee)

\$830.00

\$830.00

Half-Day Training (flat fee)

\$570.00

\$570.00

b. Human Resources Information System Fee

Per payroll warrant advice per pay period

\$8.13

\$8.15

7. Risk Management & Tort Defense

Auto Liability, Comprehensive, and Collision (total allocation to agencies)

\$1,248,500

\$1,248,500

Aviation (total allocation to agencies)

\$169,981

\$169,981

General Liability (total allocation to agencies)

\$8,100,000

\$8,100,000

Property/Miscellaneous (total allocations to agencies)

\$5,040,000

\$5,040,000

DEPARTMENT OF COMMERCE – 6501

1. Board of Investments

For the purposes of [this act], the legislature defines "rates" as the total collections necessary to operate the board of investments as follows:

a. Administration Charge (total)

\$5,109,144

\$5,234,796

2. Director's Office/Management Services

a. Management Services Indirect Charge Rate

State

14.65%

14.65%

Federal

14.65%

14.65%

DEPARTMENT OF LABOR AND INDUSTRY – 6602

1. Centralized Services Division

a. Office of Information Technology

\$192 a month per FTE

b. Cost Allocation Plan

8%

8%

c. Office of Legal Services

\$95

\$95

DEPARTMENT OF FISH, WILDLIFE, & PARKS – 5201

1. Vehicle and Aircraft Rates

Per Mile Rates

a. Sedans

\$0.46

\$0.46

b. Vans

\$0.53

\$0.53

c. Utilities

\$0.58

\$0.58

d. Pickup 1/2 ton

\$0.53

\$0.53

e. Pickup 3/4 ton

\$0.61

Per Hour Rates

f. Two-Place Single Engine

\$150.00

g. Parthavia

\$500.00

h. Turbine Helicopters

\$500.00

2. Duplicating Center

Per Copy

a. 1-20

\$0.075

b. 21-100

\$0.060

c. 101 - 1,000

\$0.056

d. 1,001- 5,000

\$0.050

e. color copies

\$0.250

Bindery

a. Collating (per sheet)

\$0.010

b. Hand Stapling (per set)

\$0.020

c. Saddle Stitch (per set)

\$0.035

d. Folding (per set)

\$0.010

e. Punching (per set)

\$0.005

f. Cutting (per minute)

\$0.600

3. Warehouse Overhead Rate

25%

DEPARTMENT OF ENVIRONMENTAL QUALITY -- 5301

Indirect Rate

a. Personal Services

24%

b. Operating Expenditures

4%

DEPARTMENT OF TRANSPORTATION -- 5401

1. State Motor Pool

Tier one

a. Class 02 (small utilities)		
Per Hour Assigned	\$0.990	\$1.090
Per Mile Operated	\$0.203	\$0.204
b. Class 03 (hybrid SUV)		
Per Hour Assigned	\$1.872	\$1.890
Per Mile Operated	\$0.186	\$0.186
c. Class 04 (large utilities)		
Per Hour Assigned	\$1.655	\$1.700
Per Mile Operated	\$0.280	\$0.281
d. Class 05 (hybrid sedans)		
Per Hour Assigned	\$1.522	\$1.547
Per Mile Operated	\$0.112	\$0.113
e. Class 06 (midsize compacts)		
Per Hour Assigned	\$0.999	\$1.025
Per Mile Operated	\$0.159	\$0.159
f. Class 07 (small pickups)		
Per Hour Assigned	\$0.686	\$0.703
Per Mile Operated	\$0.231	\$0.232
g. Class 11 (large pickups)		
Per Hour Assigned	\$0.963	\$0.947
Per Mile Operated	\$0.262	\$0.261
h. Class 12 (vans – all types)		
Per Hour Assigned	\$1.203	\$1.272

Per Mile Operated	\$0.226	\$0.227
Tier two (contingent \$4.00/gallon)		
a. Class 02 (small utilities)		
Per Hour Assigned	\$0.990	\$1.090
Per Mile Operated	\$0.229	\$0.230
b. Class 03 (hybrid SUV)		
Per Hour Assigned	\$1.872	\$1.890
Per Mile Operated	\$0.208	\$0.209
c. Class 04 (large utilities)		
Per Hour Assigned	\$1.655	\$1.700
Per Mile Operated	\$0.317	\$0.318
d. Class 05 (hybrid sedans)		
Per Hour Assigned	\$1.522	\$1.547
Per Mile Operated	\$0.126	\$0.127
e. Class 06 (midsize compacts)		
Per Hour Assigned	\$0.999	\$1.025
Per Mile Operated	\$0.178	\$0.179
f. Class 07 (small pickups)		
Per Hour Assigned	\$0.686	\$0.703
Per Mile Operated	\$0.259	\$0.260
g. Class 11 (large pickups)		
Per Hour Assigned	\$0.963	\$0.947
Per Mile Operated	\$0.295	\$0.294
h. Class 12 (vans – all types)		
Per Hour Assigned	\$1.203	\$1.272

Per Mile Operated	\$0.254	\$0.255
Tier three (contingent \$4.50/gallon)		
a. Class 02 (small utilities)		
Per Hour Assigned	\$0.990	\$1.090
Per Mile Operated	\$0.255	\$0.256
b. Class 03 (hybrid SUV)		
Per Hour Assigned	\$1.872	\$1.890
Per Mile Operated	\$0.231	\$0.232
c. Class 04 (large utilities)		
Per Hour Assigned	\$1.655	\$1.700
Per Mile Operated	\$0.353	\$0.354
d. Class 05 (hybrid sedans)		
Per Hour Assigned	\$1.522	\$1.547
Per Mile Operated	\$0.141	\$0.141
e. Class 06 (midsize compacts)		
Per Hour Assigned	\$0.999	\$1.025
Per Mile Operated	\$0.198	\$0.199
f. Class 07 (small pickups)		
Per Hour Assigned	\$0.686	\$0.703
Per Mile Operated	\$0.287	\$0.288
g. Class 11 (large pickups)		
Per Hour Assigned	\$0.963	\$0.947
Per Mile Operated	\$0.328	\$0.326
h. Class 12 (vans – all types)		
Per Hour Assigned	\$1.203	\$1.272

Per Mile Operated

2. Equipment Program

All of Program Operations

\$0.284

60-day working capital reserve

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION -- 5706

1. Air Operations Program

a. Bell UH-1H

\$1,225

b. Bell Jet Ranger

\$515

c. Cessna 180 Series

\$175

DEPARTMENT OF JUSTICE - 4110

1. Agency Legal Services

a. Attorney (per hour)

\$95.50

b. Investigator (per hour)

\$55.50

DEPARTMENT OF CORRECTIONS - 6401

1. Vocational Education Program

a. Labor Charge for Motor Vehicle Maintenance (per hour)

\$27.45

b. Supply Fee as a Percentage of Actual Costs of Parts

5%

c. Parts

Actual Cost

2. Food Factory

a. Cook/Chill Rate -- Hot/Cold Base Tray Price (no delivery)

\$2.14

b. Cook/Chill Rate -- Hot Base Tray Price

\$1.08

c. Delivery Charge Per Mile

\$0.50

d. Delivery Charge Per Hour

\$35.00

e. Spoilage Percentage All Customers

5%

f. Detention Center Trays

\$2.72

g. Accessory Package

\$0.16

h. Bulk Food

i. Overhead Charge

Montana State Hospital

Montana State Prison

Treasure State Correctional Training Center

3. License Plates

a. License Plates – Cost per set

OFFICE OF PUBLIC INSTRUCTION - 3501

1. OPI Indirect Cost Pool

a. Unrestricted Rate

b. Restricted Rate

Actual Cost

11%

76%

13%

\$6.20

17.5%

17%

Actual Cost

11%

76%

13%

\$6.20

17.5%

17%

- END -

I hereby certify that the within bill,
HB 0002, originated in the House.

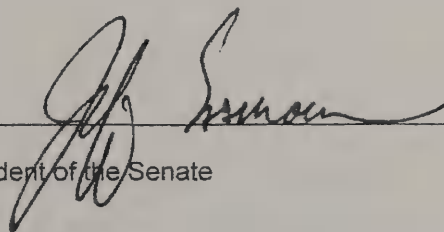


Chief Clerk of the House



Speaker of the House

Signed this 24th day
of April, 2013.



President of the Senate

Signed this 25 day
of April, 2013.

CHAPTER # 380

HOUSE BILL NO. 2

INTRODUCED BY D. ANKNEY

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE BIENNIUM ENDING JUNE 30, 2015; AND PROVIDING AN EFFECTIVE DATE.

STATE OF MONTANA

FILED

May 3rd, 2013

Secretary of State

By Shannon H. Stevens

This bill was received by the Governor

this 25th day
of April, 2013.

By Simms

Approved May 3, 2013.

[Signature]
Governor

GENERAL GOVERNMENT

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Legislative Branch

Legislative Audit Division

Legislative Fiscal Division

Legislative Services Division

Consumer Counsel

Governor's Office

Secretary of State

Commissioner of Political Practices

State Auditor

Revenue

Administration

Commerce

Labor and Industry

Military Affairs

-----Committee Members-----

House

Representative Ryan Osmundson, Chair

Representative Champ Edmunds

Representative Kelly McCarthy

Senate

Senator Alan Olson

Senator Edward Buttrey

Senator David Wanzenried

-----Fiscal Division Staff-----

Kristine Wilkinson

Cathy Duncan

Lois Steinbeck

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	134.97	140.14	134.22	139.39	140.14	139.39	(0.75)	(0.54%)
Personal Services	9,656,006	11,214,831	10,406,346	10,499,612	20,870,837	20,905,958	35,121	0.17%
Operating Expenses	2,707,982	3,305,252	3,839,107	3,607,578	6,013,234	7,446,685	1,433,451	23.84%
Equipment & Intangible Assets	60,495	89,505	75,000	50,000	150,000	125,000	(25,000)	(16.67%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$12,424,483	\$14,609,588	\$14,320,453	\$14,157,190	\$27,034,071	\$28,477,643	\$1,443,572	5.34%
General Fund	10,271,712	12,309,086	11,799,235	12,152,408	22,580,798	23,951,643	1,370,845	6.07%
State Special	2,152,771	2,300,502	2,521,218	2,004,782	4,453,273	4,526,000	72,727	1.63%
Total Funds	\$12,424,483	\$14,609,588	\$14,320,453	\$14,157,190	\$27,034,071	\$28,477,643	\$1,443,572	5.34%

Agency Description

The mission of the legislature is to exercise the legislative power of state government vested in the legislature by the Constitution of the State of Montana. The mission of the Legislative Branch, i.e., the consolidated legislative agency, is to provide the administrative structure to support accomplishment of the mission of the legislature.

Agency Highlights

Legislative Branch Major Budget Highlights	
♦	Operating expense increases include: <ul style="list-style-type: none"> • Present law adjustments for cyclical adjustments related to the 2015 Legislative Session • Information technology cost increases of \$225,000 • Continued enhancements of Television MT, \$275,000 • Funding of \$160,000 general fund over the biennium for participation in the capitol complex security plan (in the future, it is thought that the executive branch agencies will share this cost)
♦	Personal service increases include: <ul style="list-style-type: none"> • Present law adjustments in the Legislative Audit Division related to vacancies in FY 2012, partially offset by a reduction of funding for 0.75 FTE • \$173,468 to bring branch-wide staff up to 87.0% of market pay, which is in line with the executive branch
♦	Partially offsetting personal service increases is a vacancy savings rate of 2%
♦	All appropriations of the branch are biennial

Summary of Legislative Action

The legislature approved the Legislative Branch budget with an increase of \$1.4 million, or 5.3%, over the 2013 biennium. A portion of the increase in operating expenses results from information technology upgrades to cover the costs of hardware and software replacement. This funding corresponds with a project in the Long-Range Information Technology Program (HB 10) that will replace and update many of the branch legacy information technology systems. The appropriation included in HB 10 will impact the branch information technology division, since much of the

associated work will be done in-house. Operating expenses also increase with the inclusion of contracted service costs for increased security for the capitol complex.

The personal service budget for the branch includes present law adjustments that will fund the branch workforce with a vacancy savings reduction of 2%. Language allowing the branch to allocate the vacancy savings among the divisions is seen in the “Language and Statutory Authority” section of this report. The branch received a one-time-only increase in personal service costs that is intended to bring staff up to 87.0% of market. This increase would bring branch staff compensation to a level more consistent with the executive branch.

The table does not include pay increases associated with HB 13, the state pay plan. HB 13 provides branch wide appropriations, which may be allocated among the divisions for pay rate and health benefit increases. The appropriations for the Legislative Branch are shown in the adjacent figure.

Legislative Branch Pay Plan Appropriations (HB 13) 2015 Biennium		
Funding Source	FY 2014	FY 2015
General Fund	\$397,735	\$808,775
State Special Revenue	52,500	142,820
Total	<u>\$450,235</u>	<u>\$951,595</u>

In addition to the appropriations shown above, this legislation provides \$100,000 in general fund for the 2015 biennium to be used when retirement costs exceed agency resources or other contingencies arise. With the impacts of HB 13, the branch personal services budget for the 2015 biennium will be \$22.4 million, an increase of 7.4% from the 2013 biennium. The legislation also requires the branch to report to the Legislative Finance Committee and the Legislative Fiscal Analyst, in an electronic format, on the implementation of pay increases and the impacts on lower pay bands on December 31, 2013 and December 31, 2014. For a discussion of the pay plan, see Volume 1 of the 2015 Biennium Fiscal Report.

Boilerplate

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The administrative committees of the branch typically do not recommend the division budgets include vacancy savings, and in the 2015 biennium request, no vacancy savings in addition to the reduction in decision packages were budgeted. As a result, the Legislative Branch is considered to be exempt from the boilerplate language.

Agency Discussion

The budget of the Legislative Branch functions is presented in HB 2 as a biennial budget due to the cyclical nature of the legislative sessions and the many costs associated therein. Many of the costs of the Legislative Branch are incurred in non-base years, as the sessions are held in the second year of the biennium, while budgets are prepared from the even-numbered base years. The cyclical nature of the legislature leads to multiple adjustments in the branch budget.

HB 1 contains the costs associated with the activities of the legislative session and is not included as a component of the HB 2 budget. From the total appropriations of \$9.2 million provided in HB 1, \$8.7 million is for the operation of the 63rd legislature and the costs of preparing for the 64th legislature. The legislation also provides \$579,617 specifically provided for the preparation activities of the 64th Legislative Session. The appropriations fund the salaries and per-diem of the members of the 63rd Legislature and the costs of temporary staff and operational costs related to the session. From those appropriations, \$586,699 is directed to the operations of Legislative Services (program 22-“Feed-Bill” program) in FY 2013 through FY 2015 and an additional \$16,500 for FY 2015. The funding will be used for session related activities that include:

- Bill printing & distribution
- Legislative publications (printing of Session Laws, Rule Books, certain LFD publications)
- Legislative information office

- Legislative telephones
- Legislator technology allowance
- Session start-up costs

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$23,951,643	\$0	\$0	\$23,951,643	84.1%
State Special Total	4,526,000	-	-	4,526,000	15.9%
Federal Special Total	-	-	-	-	0.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$28,477,643</u>	<u>\$0</u>	<u>\$0</u>	<u>\$28,477,643</u>	
Percent - Total All Sources	100.0%	0.0%	0.0%		

The Legislative Branch is mainly funded with general fund. State special revenues are derived from:

- A percentage of the fees charged to lobbyists, which supports the state broadcasting service (TVMT)
- Sales of the Montana Codes Annotated, which supports the preparation; publication; and distribution of the MCA
- Audit fees charged to state agencies, which support the activities of the Legislative Audit Division

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	10,271,712	10,271,712	20,543,424	85.77%	12,424,483	12,424,483	24,848,966	87.26%
Statewide PL Adjustments	736,657	1,041,525	1,778,182	7.42%	1,106,033	1,215,886	2,321,919	8.15%
Other PL Adjustments	531,854	598,489	1,130,343	4.72%	573,823	319,222	893,045	3.14%
New Proposals	259,012	240,682	499,694	2.09%	216,114	197,599	413,713	1.45%
Total Budget	\$11,799,235	\$12,152,408	\$23,951,643		\$14,320,453	\$14,157,190	\$28,477,643	

Other Legislation

HB 1 – This legislation includes total appropriations of \$9.2 million for the operation of the 63rd legislature and the costs of preparing for the 64th legislature. The appropriations fund the salaries and per-diem of the members of the 63rd Legislature, the costs of temporary staff, and operational costs related to the session.

HB 10 – This legislation includes an appropriation of \$6,146,000 of general fund to the Legislative Branch for a major enterprise-level business system replacement project to upgrade multiple aging systems, including process design, MCA/annotations, LAWS database, editor system, HB 2 automation, engrossing and enrolling, and the MCA online system, all used to support the legislative session and related post-session publication processes.

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. For more information of the impacts of this legislation on the Legislative Branch, see the “Summary of Legislative Action” section of this report.

Interim Study Resolutions –18 interim study bills and resolutions were passed by the legislature and approved by the Governor. The Legislative Council will determine which the studies should be undertaken and which statutory or interim committee will complete the study. The resolution number and short title are as follows:

- HB 609 Study hunting and fishing licensing
- HJ 1 Study structure and duties of office of comm of political practices
- HJ 2 Study state/local gov electronic records management
- HJ 16 Study state-operated public institutions
- HJ 17 Study resolution on state pay plans
- HJ 25 Study workers' compensation and subrogation, other issues
- HJ 26 Study water ditch/canal easement restatement process options
- HJ 30 Study benefits for veterans
- SJ 3 Study the Board Pardons and Parole
- SJ 4 Study Virginia City, Nevada City, and Reeder's Alley
- SJ 6 Study the impacts of Montana's renewable portfolio standard
- SJ 14 Study local government election procedures
- SJ 15 Study public land management
- SJ 20 Study prescription drug abuse
- SJ 22 Study family law procedure alternatives
- SJ 23 Study the tax appeal process
- SJ 24 Study military training applicability to civilian jobs
- SJ 26 Study commerce corridors along Montana highways

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	134.97	134.97	134.22	(0.75)	140.14	139.39	(0.75)	
Personal Services	9,656,006	10,615,555	10,406,346	(209,209)	10,710,158	10,499,612	(210,546)	(419,755)
Operating Expenses	2,707,982	3,757,535	3,839,107	81,572	3,526,011	3,607,578	81,567	163,139
Equipment & Intangible Assets	60,495	75,000	75,000	0	50,000	50,000	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$12,424,483	\$14,448,090	\$14,320,453	(\$127,637)	\$14,286,169	\$14,157,190	(\$128,979)	(\$256,616)
General Fund	10,271,712	11,883,974	11,799,235	(84,739)	12,238,304	12,152,408	(85,896)	(170,635)
State/Other Special	2,152,771	2,564,116	2,521,218	(42,898)	2,047,865	2,004,782	(43,083)	(85,981)
Total Funds	\$12,424,483	\$14,448,090	\$14,320,453	(\$127,637)	\$14,286,169	\$14,157,190	(\$128,979)	(\$256,616)

The budget was approved with a net biennial reduction of \$256,616 from the requested budget. Changes included:

- A reduction of \$419,755 with the adoption of an additional 2% in vacancy savings, including \$333,714 in general fund and \$85,981 state special revenue funds
- A biennial increase of \$160,000 for branch participation in capitol complex security

- A biennial increase of \$3,139 for the legislative changes to the statewide present law adjustments
- The removal of funding for 0.75 FTE in accordance with the intention of the Legislative Audit Division

Language and Statutory Authority

The legislature included the following language in HB 2.

"Legislative Services includes a reduction in general fund of \$166,311 in fiscal year 2014 and \$167,463 in fiscal year 2015 and state special revenue of \$42,898 in fiscal year 2014 and \$43,083 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	59.00	64.17	59.00	64.17	64.17	64.17	0.00	0.00%
Personal Services	4,591,142	5,029,041	4,658,508	4,783,018	9,620,183	9,441,526	(178,657)	(1.86%)
Operating Expenses	2,040,402	2,551,849	3,025,199	2,840,367	4,592,251	5,865,566	1,273,315	27.73%
Equipment & Intangible Assets	60,495	89,505	75,000	50,000	150,000	125,000	(25,000)	(16.67%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$6,692,039	\$7,670,395	\$7,758,707	\$7,673,385	\$14,362,434	\$15,432,092	\$1,069,658	7.45%
General Fund	5,905,206	7,308,112	6,916,678	7,351,175	13,213,318	14,267,853	1,054,535	7.98%
State Special	786,833	362,283	842,029	322,210	1,149,116	1,164,239	15,123	1.32%
Total Funds	\$6,692,039	\$7,670,395	\$7,758,707	\$7,673,385	\$14,362,434	\$15,432,092	\$1,069,658	7.45%

Program Description

The Legislative Services Division provides objective research, reference, legal, technical, information technology, and business services to the House, Senate, and other divisions of the Legislative Branch. Division services include: 1) bill and amendment drafting, preparation of bills for introduction, and engrossing and enrolling bills; 2) publication of legislative documents of record; 3) provision of legislative research and reference services; 4) legal counseling on legislative matters and agency legal support; 5) personnel and business services; 6) planning, installation, and maintenance of agency information technology; 7) legislative committee staffing and support; 8) preparation, publication, and distribution of the Montana Code Annotated text and annotations; 9) review of the text of proposed ballot measures; 10) broadcasting of state government and public policy events; and 11) provision of legislative information to the public. The Legislative Council provides policy guidance to the Legislative Services Division.

Program Highlights

Legislative Services Division Major Budget Highlights	
♦	The budget increases primarily due to present law adjustments, which include: <ul style="list-style-type: none"> • Cyclical operations adjustments for session related costs • Increased information technology costs and maintenance for the LAWS system • Participation in subscription services for Federal Funds Information for the States • Participation in the capitol complex security plan (in the future, it is thought that the executive branch agencies will share this cost)
♦	The legislature approved appropriations for the ongoing costs of technology upgrades and market pay adjustments
♦	The budget includes a net reduction in the cyclical costs of production of the Montana Code Annotated
♦	Personal services are reduced by vacancy savings of 2%, which can be allocated across the branch divisions

Program Narrative

The Legislative Services Division, the largest division of the branch, oversees many of the tasks and activities related to the functions of the branch. Included in the program are the facility and maintenance; information technology; finance, payroll, and human services; legal; legislative research; and library functions. The activities of Legislative Services fall under the oversight of the Legislative Council, one of the three administrative committees of the branch.

The budget for this division was approved with an increase of \$1.1 million from the 2013 biennium. Increases provided in the personal services budget are offset by an additional 2% vacancy savings for the entire branch that was applied to this division but will be allocated among all divisions.. The budget also includes an appropriation of \$160,000 for participation in security enhancements to the capitol complex security plan. The division will provide funding for the entire cost of the enhancements in the 2015 biennium, but in the future it is expected that the executive branch agencies will participate in the associated costs.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget - Legislative Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$14,267,853	\$0	\$0	\$14,267,853	92.5%		
State Special Total	\$1,164,239	\$0	\$0	\$1,164,239	7.5%		
02800 Reimbursable Activities	\$1,087,714	\$0	\$0	\$1,087,714	7.0%		
02985 State Government Broadcasting	\$76,525	\$0	\$0	\$76,525	0.5%		
Total All Funds	\$15,432,092	\$0	\$0	\$15,432,092	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Legislative Services Division is mainly funded by general fund. State special revenue funding is derived from a percentage of lobbyist fees and supports the costs associated with the state broadcasting service (TVMT). Additionally, state special revenues derived from the sales of the Montana Codes Annotated support the preparation, publication, and distribution of the codes.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,905,206	5,905,206	11,810,412	82.78%	6,692,039	6,692,039	13,384,078	86.73%
Statewide PL Adjustments	292,678	697,686	990,364	6.94%	343,063	551,798	894,861	5.80%
Other PL Adjustments	459,782	507,601	967,383	6.78%	507,491	231,949	739,440	4.79%
New Proposals	259,012	240,682	499,694	3.50%	216,114	197,599	413,713	2.68%
Total Budget	\$6,916,678	\$7,351,175	\$14,267,853		\$7,758,707	\$7,673,385	\$15,432,092	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				218,752					286,777	
Inflation/Deflation				265					483	
Fixed Costs				124,046					264,538	
Total Statewide Present Law Adjustments										
	\$292,678	\$50,385	\$0	\$343,063		\$697,686	(\$145,888)	\$0	\$551,798	
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(292,678)	(50,385)	0	(343,063)	0.00	(697,686)	145,888	0	(551,798)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	193,032	25,720	0	218,752	0.00	253,059	33,718	0	286,777
DP 52 - Adjustment for Statewide Operations										
	0.00	111,267	14,616	0	125,883	0.00	235,428	31,160	0	266,588
DP 53 - Base Funding Switch										
	0.00	(10,049)	10,049	0	0	0.00	210,766	(210,766)	0	0
DP 20001 - LSD Cyclical & Operational Adjustments										
	0.00	448,210	47,709	0	495,919	0.00	496,034	(275,652)	0	220,382
DP 20002 - Leg Branch FFIS Professional Resources										
	0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000
Total Other Present Law Adjustments										
	0.00	\$459,782	\$47,709	\$0	\$507,491	0.00	\$507,601	(\$275,652)	\$0	\$231,949
Grand Total All Present Law Adjustments										
	0.00	\$752,460	\$98,094	\$0	\$850,554	0.00	\$1,205,287	(\$421,540)	\$0	\$783,747

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee. The fixed cost changes related to this agency are reflected in this decision package.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 20001 - LSD Cyclical & Operational Adjustments - The legislature approved adjustments from base including: 1) re-establishment of the Legislative Council's discretionary fund of \$45,000 for emerging issues that was not expended in the base year; 2) cyclical adjustments for travel related to participation in organizational activities not expended in the base year (NCSL, CSG, etc.); 3) a rate adjustment for an increase in personal car mileage; 4) an increase in the cost of organizational dues above base expenditures; and 5) a decrease of \$60,599 for the Districting and Apportionment Commission, which completes its decennial work at the end of FY 2013.

DP 20002 - Leg Branch FFIS Professional Resources - The legislature approved this proposal that adds budget authority for participation in subscription services for Federal Funds Information for the States. This subscription provides up-to-date information regarding the status of federal funding, grants, and other research material not available elsewhere. The subscription will be managed through the Legislative Reference Center for the Branch.

New Proposals

New Proposals		Fiscal 2014				Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
20	0.00	(166,311)	(42,898)	0	(209,209)	0.00	(167,463)	(43,083)	0	(210,546)
DP 20003 - LSD Television MT Phase II OTO/RST										
20	0.00	175,000	0	0	175,000	0.00	100,000	0	0	100,000
DP 20004 - LSD Info Technology Upgrade, Replacements OTO/RST										
20	0.00	112,500	0	0	112,500	0.00	112,500	0	0	112,500
DP 20005 - Leg. Branch Discretionary Market Adjustments										
20	0.00	57,823	0	0	57,823	0.00	115,645	0	0	115,645
DP 20021 - Particip.-Capitol Cmplx. Security (OTO/RST/BIEN)										
20	0.00	80,000	0	0	80,000	0.00	80,000	0	0	80,000
Total	0.00	\$259,012	(\$42,898)	\$0	\$216,114	0.00	\$240,682	(\$43,083)	\$0	\$197,599

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 20003 - LSD Television MT Phase II OTO/RST - The legislature approved this proposal for TVMT, Phase II- Replacement, upgrade, and maintenance of Television MT infrastructure to allow the Media Center to complete a high-definition upgrade as time and budget allow. Phase I (completed in October, 2012) began the replacement and upgrade of 11-year old equipment in the Senate, a compatible workstation, and one House committee room. This Phase II infrastructure upgrade will allow the future support and replacement of new high-definition workstations and cameras as necessary. The funding is designated one-time-only and is restricted for the use for this purpose only.

DP 20004 - LSD Info Technology Upgrade, Replacements OTO/RST - The legislature approved a proposal to cover costs for hardware and software replacement, training, and consulting and professional services in information technology for the Legislative Branch, including maintenance of the LAWS system, that have been deferred and are not expected to be recurring costs. The funding is designated one-time-only and is restricted for this purpose only.

DP 20005 - Leg. Branch Discretionary Market Adjustments - The legislature approved this proposal that is designed to raise the average target market ratio of the Legislative Branch employees equal to that of the Executive Branch (87%) at the end of FY 2012. These funds will be used by the division managers to work toward achieving target market ratios for employees who are significantly below entry or market and who have acceptable performance appraisals. The total cost for the Legislative Branch is \$173,468 general fund. The funds are attached to this division for administrative purposes and will be distributed among the divisions as necessary in FY 2014 and FY 2015.

DP 20021 - Particip.-Capitol Cmplx. Security (OTO/RST/BIEN) - The legislature approved the Legislative Branch participation in the capitol complex security plan. The branch participation is funded with general fund, is one-time-only, and is restricted to this purpose.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	0.97	0.97	0.97	0.97	0.97	0.97	0.00	0.00%
Personal Services	93,257	80,661	97,264	67,221	173,918	164,485	(9,433)	(5.42%)
Operating Expenses	477,176	450,736	585,892	506,003	927,912	1,091,895	163,983	17.67%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$570,433	\$531,397	\$683,156	\$573,224	\$1,101,830	\$1,256,380	\$154,550	14.03%
General Fund	570,433	531,397	683,156	573,224	1,101,830	1,256,380	154,550	14.03%
Total Funds	\$570,433	\$531,397	\$683,156	\$573,224	\$1,101,830	\$1,256,380	\$154,550	14.03%

Program Description

The Legislative Committees and Activities Program supports the activities of standing and interim legislative committees that are conducted during the interim between legislative sessions. Program expenditures support: 1) interim study activities as defined in 5-5-202 through 5-5-217, MCA; 2) cooperative interstate, international and intergovernmental activities as outlined in 5-11-303 through 5-11-305, MCA; and 3) other legislative activities for which appropriations are made.

Program Highlights

Legislative Committees & Activities	
Major Budget Highlights	
♦	The budget will increase from the 2013 biennium primarily due to present law adjustments, which include an increase in costs for the emerging issues discretionary fund
♦	Increases are offset with a reduction of base costs associated with the completion of work by the Districting and Apportionment Commission

Program Narrative

The budget for the Legislative Committees and Activities Division includes the costs of the Legislative Council, one of the three administrative committees of the branch, and the costs of the Environmental Quality Committee. This budget also funds the costs of the interim committees of the legislature, but does not include the budgets for Legislative Finance Committee or the Legislative Audit Committee. The interim committees are statutorily set in 5-5-202, MCA and include:

- Economic affairs committee
- Education and local government committee
- Children, families, health, and human services committee
- Law and justice committee
- Energy and telecommunications committee
- Revenue and transportation committee
- State administration and veterans' affairs committee

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget - Legis. Committees & Activities							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,256,380	\$0	\$0	\$1,256,380	100.0%		
Total All Funds	\$1,256,380	\$0	\$0	\$1,256,380	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Legislative Committees and Activities is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	570,433	570,433	1,140,866	90.81%	570,433	570,433	1,140,866	90.81%
Statewide PL Adjustments	38,181	(60,120)	(21,939)	(1.75%)	38,181	(60,120)	(21,939)	(1.75%)
Other PL Adjustments	74,542	62,911	137,453	10.94%	74,542	62,911	137,453	10.94%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$683,156	\$573,224	\$1,256,380		\$683,156	\$573,224	\$1,256,380	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					38,192					(60,222)
Inflation/Deflation					(11)					102
Total Statewide Present Law Adjustments										
	\$38,181		\$0	\$0	\$38,181		(\$60,120)	\$0	\$0	(\$60,120)
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(38,181)	0	0	(38,181)	0.00	60,120	0	0	60,120
DP 51 - Adjustment for Statewide Personal Services										
	0.00	38,192	0	0	38,192	0.00	(60,222)	0	0	(60,222)
DP 52 - Adjustment for Statewide Operations										
	0.00	(11)	0	0	(11)	0.00	102	0	0	102
DP 21001 - Interim Comm., Activities Cyclical & Operational										
	0.00	60,917	0	0	60,917	0.00	53,826	0	0	53,826
DP 21002 - Interim Committees Additional Meetings										
	0.00	13,625	0	0	13,625	0.00	9,085	0	0	9,085
Total Other Present Law Adjustments										
	0.00	\$74,542	\$0	\$0	\$74,542	0.00	\$62,911	\$0	\$0	\$62,911
Grand Total All Present Law Adjustments										
	0.00	\$112,723	\$0	\$0	\$112,723	0.00	\$2,791	\$0	\$0	\$2,791

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 21001 - Interim Comm., Activities Cyclical & Operational - The legislature approved adjustments from base including: re-establishment of the Legislative Council's discretionary fund of \$45,000 for emerging issues that was not expended in the base year; cyclical adjustment for travel related to participation in organizational activities not expended in the base year (NCSL, CSG, etc.); rate adjustment for increase in personal car mileage; increase in cost of organizational dues above base expenditures; and a decrease of \$60,599 for the Districting & Apportionment Commission which completed its decennial work at the end of FY2013.

DP 21002 - Interim Committees Additional Meetings - The legislature approved this proposal that includes personal services and operational costs related to adjustments of certain interim committee work schedules as each committee deems necessary.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.50	20.50	20.50	20.50	20.50	20.50	0.00	0.00%
Personal Services	1,700,358	1,738,464	1,805,868	1,803,141	3,438,822	3,609,009	170,187	4.95%
Operating Expenses	38,651	79,699	43,064	87,140	118,350	130,204	11,854	10.02%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$1,739,009	\$1,818,163	\$1,848,932	\$1,890,281	\$3,557,172	\$3,739,213	\$182,041	5.12%
General Fund	1,739,009	1,818,163	1,848,932	1,890,281	3,557,172	3,739,213	182,041	5.12%
State Special	0	0	0	0	0	0	0	n/a
Total Funds	\$1,739,009	\$1,818,163	\$1,848,932	\$1,890,281	\$3,557,172	\$3,739,213	\$182,041	5.12%

Program Description

The Legislative Fiscal Division provides the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination. Division services include: 1) fiscal analysis of state government and the furnishing of information bearing upon the financial matters of the state; 2) identification of ways to effect economy and efficiency in state government; 3) estimation of revenue and analysis of tax policy; 4) analysis of the executive budget; 5) compiling and analyzing fiscal information for legislators and legislative committees; and 6) staffing and support for legislative committees, including the preparation and processing of the appropriation bills for the legislative, judicial, and executive agencies. The Legislative Finance Committee provides guidance to the Legislative Fiscal Division.

Program Highlights

Fiscal Analysis & Review	
Major Budget Highlights	
<ul style="list-style-type: none"> The increase in the budget is primarily related to: <ul style="list-style-type: none"> The growth in personal services is related to statewide present law adjustments Approximately \$7,000 in added funds for the travel of the interim Legislative Finance Committee, because members of the 2011-2012 committee lived in closer proximity to the capitol and to provide out-of-town meetings \$45,000 for cyclical adjustments related to session costs 	

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget - Fiscal Analysis & Review							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,739,213	\$0	\$0	\$3,739,213	100.0%		
Total All Funds	\$3,739,213	\$0	\$0	\$3,739,213	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division is funded entirely with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,739,009	1,739,009	3,478,018	93.01%	1,739,009	1,739,009	3,478,018	93.01%
Statewide PL Adjustments	105,966	103,303	209,269	5.60%	105,966	103,303	209,269	5.60%
Other PL Adjustments	3,957	47,969	51,926	1.39%	3,957	47,969	51,926	1.39%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$1,848,932	\$1,890,281	\$3,739,213		\$1,848,932	\$1,890,281	\$3,739,213	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					105,510					102,783
Inflation/Deflation					(22)					20
Fixed Costs					478					500
Total Statewide Present Law Adjustments										
		\$105,966	\$0	\$0	\$105,966		\$103,303	\$0	\$0	\$103,303
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(105,966)	0	0	(105,966)	0.00	(103,303)	0	0	(103,303)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	105,510	0	0	105,510	0.00	102,783	0	0	102,783
DP 52 - Adjustment for Statewide Operations										
	0.00	456	0	0	456	0.00	520	0	0	520
DP 27001 - LFD Cyclical Operations										
	0.00	0	0	0	0	0.00	45,000	0	0	45,000
DP 27002 - Legislative Finance Committee - Travel										
	0.00	3,957	0	0	3,957	0.00	2,969	0	0	2,969
Total Other Present Law Adjustments										
	0.00	\$3,957	\$0	\$0	\$3,957	0.00	\$47,969	\$0	\$0	\$47,969
Grand Total All Present Law Adjustments										
	0.00	\$109,923	\$0	\$0	\$109,923	0.00	\$151,272	\$0	\$0	\$151,272

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 27001 - LFD Cyclical Operations - The legislature approved this proposal that increases the FY 2015 budget by \$45,000 general fund in the categories of printing, photocopy, and other office operations due to cyclical legislative session costs that are not captured in the base year. This is the same amount approved in the previous two biennia, and is not an increase when comparing biennium to biennium.

DP 27002 - Legislative Finance Committee - Travel - The legislature approved this proposal that increases the travel budget of the Legislative Finance Committee to account for a wider geographical disbursement of members. During the 2013 biennium, members were not geographically disbursed, resulting in lower than normal travel costs. In addition, this decision package provides additional funds to hold committee or subcommittee meetings outside of Helena.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	54.50	54.50	53.75	53.75	54.50	53.75	(0.75)	(1.38%)
Personal Services	3,271,249	4,366,665	3,844,706	3,846,232	7,637,914	7,690,938	53,024	0.69%
Operating Expenses	151,753	222,968	184,952	174,068	374,721	359,020	(15,701)	(4.19%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$3,423,002	\$4,589,633	\$4,029,658	\$4,020,300	\$8,012,635	\$8,049,958	\$37,323	0.47%
General Fund	2,057,064	2,651,414	2,350,469	2,337,728	4,708,478	4,688,197	(20,281)	(0.43%)
State Special	1,365,938	1,938,219	1,679,189	1,682,572	3,304,157	3,361,761	57,604	1.74%
Total Funds	\$3,423,002	\$4,589,633	\$4,029,658	\$4,020,300	\$8,012,635	\$8,049,958	\$37,323	0.47%

Program Description

The Legislative Audit Division (LAD) conducts independent audits and provides factual and objective information to the legislative and executive managers of the public trust. Division services include: 1) conducting and reporting of biennial financial-compliance audits, performance audits, information systems audits, and special audits of state agency operations; 2) reporting of violation of penal statutes, instances of misfeasance, malfeasance, or nonfeasance, and shortages discovered in an audit that are covered by surety; 3) auditing records of entities under contract with the state; and 4) assisting the legislature, its committees, and its members by providing information related to the fiscal affairs of state government. The Legislative Auditor consults with the Legislative Audit Committee.

Program Highlights

Audit & Examination Division	
Major Budget Highlights	
♦	The legislature approved a budget that is principally unchanged from the 2013 biennium
♦	Adjustments to the budget include: <ul style="list-style-type: none"> • \$1.2 million in statewide personal services adjustments related to vacancies in the base year • A reduction in funding for 0.75 FTE due to the reorganization of administrative functions

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget - Audit & Examination							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$4,688,197	\$0	\$0	\$4,688,197	58.2%		
State Special Total	\$3,361,761	\$0	\$0	\$3,361,761	41.8%		
02042 Legislative Audit	\$3,361,761	\$0	\$0	\$3,361,761	41.8%		
Total All Funds	\$8,049,958	\$0	\$0	\$8,049,958	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

This division is funded with a combination of general fund and state special revenue. The state special revenue funds are generated through a charge to agencies of a billing rate calculated in accordance with federal regulations for audit services.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,057,064	2,057,064	4,114,128	87.76%	3,423,002	3,423,002	6,846,004	85.04%
Statewide PL Adjustments	299,832	300,656	600,488	12.81%	618,823	620,905	1,239,728	15.40%
Other PL Adjustments	(6,427)	(19,992)	(26,419)	(0.56%)	(12,167)	(23,607)	(35,774)	(0.44%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$2,350,469	\$2,337,728	\$4,688,197		\$4,029,658	\$4,020,300	\$8,049,958	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					617,124					618,590
Inflation/Deflation					(126)					(30)
Fixed Costs					1,825					2,345
Total Statewide Present Law Adjustments		\$299,832	\$318,991	\$0	\$618,823		\$300,656	\$320,249	\$0	\$620,905
DP 50 - Initial Motion to FY 2012 Base										
0.00	(299,832)		(318,991)	0	(618,823)	0.00	(300,656)	(320,249)	0	(620,905)
DP 51 - Adjustment for Statewide Personal Services										
0.00	370,863		246,261	0	617,124	0.00	371,744	246,846	0	618,590
DP 52 - Adjustment for Statewide Operations										
0.00	1,021		678	0	1,699	0.00	1,391	924	0	2,315
DP 53 - Base Funding Switch										
0.00	(72,052)		72,052	0	0	0.00	(72,479)	72,479	0	0
DP 28001 - LAD Cyclical Program Operations										
0.00	18,900		12,600	0	31,500	0.00	5,300	14,700	0	20,000
DP 28002 - LAD Personal Services Reduction										
(0.75)	(25,327)		(18,340)	0	(43,667)	(0.75)	(25,292)	(18,315)	0	(43,607)
Total Other Present Law Adjustments										
(0.75)	(\$6,427)		(\$5,740)	\$0	(\$12,167)	(0.75)	(\$19,992)	(\$3,615)	\$0	(\$23,607)
Grand Total All Present Law Adjustments										
(0.75)	\$293,405		\$313,251	\$0	\$606,656	(0.75)	\$280,664	\$316,634	\$0	\$597,298

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 28001 - LAD Cyclical Program Operations - The legislature approved this proposal that includes changes from the adjusted base for cyclical costs associated with a Peer Review required by Governmental Auditing Standards, Legislative Branch audit, auditor travel, and contract services for the potential use of actuarial expertise on the division's audits of the retirement systems, Montana State Fund, and health care benefits.

DP 28002 - LAD Personal Services Reduction - The legislature approved this proposal that reduces FTE by 0.75 to reflect a reorganization in the administrative functions of LAD.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.54	5.54	5.54	5.54	5.54	5.54	0.00	0.00%
Personal Services	434,691	574,618	594,605	594,540	1,009,309	1,189,145	179,836	17.82%
Operating Expenses	659,525	818,702	1,039,719	1,053,776	1,478,227	2,093,495	615,268	41.62%
Total Costs	\$1,094,216	\$1,393,320	\$1,634,324	\$1,648,316	\$2,487,536	\$3,282,640	\$795,104	31.96%
State Special	1,094,216	1,393,320	1,634,324	1,648,316	2,487,536	3,282,640	795,104	31.96%
Total Funds	\$1,094,216	\$1,393,320	\$1,634,324	\$1,648,316	\$2,487,536	\$3,282,640	\$795,104	31.96%

Agency Description

Agency Mission: The Consumer Counsel represents state-wide consumer interests in hearings before the Public Service Commission and like agencies. On behalf of the public of Montana, the counsel may initiate, intervene, and participate in appropriate proceedings before state or federal courts or administrative agencies. The Montana Consumer Counsel is part of the legislative branch and is overseen by the Legislative Consumer Committee. The Consumer Counsel is provided for by Article XIII, Section 2 of the Montana Constitution, and is governed by Title 5, Chapter 15, and Title 69, Chapters 1 and 2, MCA.

Agency Highlights

Montana Consumer Counsel Major Budget Highlights	
◆	Personal services increases are primarily due to vacancy savings in the base year
◆	Employee pay raises of HB 13, not included in the budget tables, add a total of \$87,210 in personal service appropriations to the budget
◆	The increase in operating expenses results primarily from increases in consulting and professional costs that were lower than average in the base <ul style="list-style-type: none"> Increases approved by the legislature will bring the consulting and professional services budget up to the five year average
◆	The Consumer Counsel budget includes \$250,000/FY for unanticipated caseload contingencies <ul style="list-style-type: none"> The appropriation is one-time-only and restricted to allow continued legislative review of the associated expenditures There were no expenditures related to the FY 2012 caseload contingency appropriation

Summary of Legislative Action

The Montana Consumer Counsel budget increases by almost 32% due to two main factors: 1) fully funding positions in the 2015 biennium when the agency experienced an 8.1% vacancy savings in the base year; and 2) funding of \$500,000 for an unanticipated caseload contingency.

The legislature passed HB 13, which provided appropriations to increase personal services in agencies. Due to the lump sum nature of the pay plan in the executive agencies and the allowances provided to the executive branch in distributing the appropriations, HB 13 budget increases were not included in the various budget tables of this report. However, HB

13 did provide appropriations specific to the consumer counsel that provide \$18,922 in FY 2014 and \$51,293 in FY 2015, from state special revenue, for employee pay rate and healthcare benefit increases. The total increase in personal service costs are \$250,051 in the 2015 biennium.

Agency Discussion

The most significant cost component in the budget of this agency is consulting and professional costs. In the 2015 biennium, 56.7% of the total appropriation is for contracted consulting services. This statistic includes the appropriations for caseload contingencies. The counsel makes use of consulting services to provide the analysis for cases for which the counsel is preparing to intervene. The consulting costs vary given the number and complexity of interventions, and over the past decade the contracted service costs have ranged between \$352,684 in FY 2010 and \$957,740 in FY 2008. In the base year, expenditures for contracted services were lower than average, of \$529,118 and resulted in a significant increase of 41.6% to operating expenses.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	5.54	5.54	5.54	0.00	5.54	5.54	0.00	
Personal Services	434,691	594,605	594,605	0	594,540	594,540	0	0
Operating Expenses	659,525	1,039,677	1,039,719	42	1,053,734	1,053,776	42	84
Total Costs	\$1,094,216	\$1,634,282	\$1,634,324	\$42	\$1,648,274	\$1,648,316	\$42	\$84
State/Other Special	1,094,216	1,634,282	1,634,324	42	1,648,274	1,648,316	42	84
Total Funds	\$1,094,216	\$1,634,282	\$1,634,324	\$42	\$1,648,274	\$1,648,316	\$42	\$84

The budget was approved as originally requested by the agency, except for an increase of \$42 per fiscal year for the legislative changes to the statewide present law adjustments.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Consumer Council Funding by Source of Authority 2015 Biennium Budget - Administration Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$3,282,640	\$0	\$0	\$3,282,640	100.0%		
02801 Dep Rev Consumer Cncl Tax	\$3,282,640	\$0	\$0	\$3,282,640	100.0%		
Total All Funds	\$3,282,640	\$0	\$0	\$3,282,640	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Montana Consumer Counsel is funded by a constitutionally earmarked tax that is levied on all regulated entities under the jurisdiction of the Public Service Commission. The funding formula is specified in 69-1-223 and 224, MCA. Each year the Department of Revenue determines the total gross operating revenue generated by all regulated activities within the state for the previous fiscal year. The Department of Revenue then computes the percentage tax necessary to

yield an amount equal to the current appropriation, with no excess funds. If collection of excess revenue occurs, the amount charged to the regulated utilities for the following year is reduced.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,094,216	1,094,216	2,188,432	66.67%
Statewide PL Adjustments	0	0	0	0.00%	159,262	159,309	318,571	9.70%
Other PL Adjustments	0	0	0	0.00%	130,846	144,791	275,637	8.40%
New Proposals	0	0	0	0.00%	250,000	250,000	500,000	15.23%
Total Budget	\$0	\$0	\$0		\$1,634,324	\$1,648,316	\$3,282,640	

Other Legislation

HB 13 - The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. For more information of the impact of HB 13 to the Consumer Counsel, see the "Summary of Legislative Action" section of this report.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					159,914					159,849
Inflation/Deflation					14					32
Fixed Costs					(666)					(572)
Total Statewide Present Law Adjustments										
		\$0	\$159,262	\$0	\$159,262		\$0	\$159,309	\$0	\$159,309
DP 1 - Present Law Base Adjustment										
	0.00	0	130,804	0	130,804	0.00	0	144,749	0	144,749
DP 50 - Initial Motion to FY 2012 Base										
	0.00	0	(159,262)	0	(159,262)	0.00	0	(159,309)	0	(159,309)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	0	159,914	0	159,914	0.00	0	159,849	0	159,849
DP 52 - Adjustment for Statewide Operations										
	0.00	0	(610)	0	(610)	0.00	0	(498)	0	(498)
Total Other Present Law Adjustments										
	0.00	\$0	\$130,846	\$0	\$130,846	0.00	\$0	\$144,791	\$0	\$144,791
Grand Total All Present Law Adjustments										
	0.00	\$0	\$290,108	\$0	\$290,108	0.00	\$0	\$304,100	\$0	\$304,100

DP 1 - Present Law Base Adjustment - The legislature approved adjustments to increase funding to address anticipated costs in the agency, primarily in contracted services. This adjustment would bring contracted service costs up to the five year expenditure average.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Unanticipated Caseload Contingency (OTO/RST)										
01	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
Total	0.00	\$0	\$250,000	\$0	\$250,000	0.00	\$0	\$250,000	\$0	\$250,000

DP 2 - Unanticipated Caseload Contingency (OTO/RST) - The legislature approved a one-time-only appropriation for caseload contingencies. The amount added is to fund consulting costs for difficult cases where the consumer counsel is required to intervene. Funds were provided as one-time-only and were restricted to this purpose.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	58.07	58.07	60.07	60.07	58.07	60.07	2.00	3.44%
Estimated Impact of HB 2*			(1.19)	(1.19)		(1.19)	(1.19)	
Net Estimated FTE*			58.88	58.88		58.88	(0.81)	
Personal Services	4,223,496	4,325,707	4,586,759	4,598,256	8,549,203	9,185,015	635,812	7.44%
Operating Expenses	1,278,172	1,592,220	1,523,469	1,398,513	2,870,392	2,921,982	51,590	1.80%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$5,501,668	\$5,917,927	\$6,110,228	\$5,996,769	\$11,419,595	\$12,106,997	\$687,402	6.02%
General Fund	5,490,551	5,906,804	6,101,819	5,988,423	11,397,355	12,090,242	692,887	6.08%
State Special	11,117	11,123	8,409	8,346	22,240	16,755	(5,485)	(24.66%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$5,501,668	\$5,917,927	\$6,110,228	\$5,996,769	\$11,419,595	\$12,106,997	\$687,402	6.02%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

The Governor's Office oversees the activities of the executive branch of Montana state government, consistent with statutory and constitutional mandates.

The Office of the Governor exists under authority granted in Article VI of the Montana Constitution. The Governor has constitutional and statutory authority to administer the affairs of the State of Montana. The Governor appoints all military and civil officers of the state whose appointments are provided for by statute or the constitution, grants reprieves and pardons, and serves on various boards and commissions. The Governor approves or vetoes legislation, reports to the legislature on the condition of the state, and submits a biennial executive budget. The Governor also represents the state in relations with other governments and the public.

The Governor's office is comprised of the following programs:

- The Executive Office
- The Executive Residence Operations
- The Air Transportation Program
- The Office of Budget and Program Planning
- The Coordinator of Indian Affairs
- The Centralized Services Division
- The Lieutenant Governor's Office
- The Citizens' Advocate Office
- The Mental Disabilities Board of Visitors

The Mental Health Ombudsman is housed within the Mental Disabilities Board of Visitors program.

Agency Highlights

Governor's Office Major Budget Highlights	
♦	The Governor's Office budget is appropriated at \$12.1 million for the 2015 biennium, a total increase of 6.0% from the 2013 biennium primarily due to:
•	A transfer of the Energy Promotion and Development Division to the Office of Economic Development
•	Statewide present law personal service adjustments of \$627,874
♦	Personal service increases are offset by reductions of \$178,918 with the additional 2% of vacancy savings

Summary of Legislative Action

The legislature appropriated a biennium to biennium increase of 6.0% in the Governor's Office. The primary reason for the increase is the transfer of the duties of the Energy Promotion and Development Division, currently a function of the Department of Commerce, to the Office of Economic Development in the Executive Office Program. For more information on the program transfer, refer to the Executive Office Program section of this report. In another change from past practices, the legislature appropriated the five-year computer equipment replacement request in the centralized services program as a base expenditure. As in most agencies, the legislature imposed an additional 2% of vacancy savings on the Governor's Office budget, providing a general fund savings of \$178,918. The reduction, budgeted in the Executive Office program, includes language that allows the agency to allocate the reduction among programs as needed. The included language may be seen in the "Language and Statutory Authority" section of this report. Finally, the legislature made appropriations in two bills, HB 13 and HB 410, that will impact the operations of the Governor's Office.

The legislature provided lump sum appropriations in the pay plan bill, HB 13. The pay plan requires the executive branch to allocate the appropriation for employee pay rate increases and increases in healthcare benefits across the agencies in the branch. With oversight of the functions of the executive branch, the Governor's office will be tasked with allocating the appropriations to the agencies. The appropriations included in HB 13 are as follows:

Executive Branch Pay Plan Appropriations (HB 13) 2015 Biennium		
Funding Source	FY 2014	FY 2015
General Fund	\$9,060,825	\$20,939,617
State Special Revenue	7,918,525	19,036,495
Federal Special Revenue	5,737,675	14,600,371
Proprietary	<u>2,049,016</u>	<u>5,265,622</u>
Total	<u>\$24,766,041</u>	<u>\$59,842,105</u>

The legislation also requires agencies to report in electronic format to the Legislative Finance Committee and the Legislative Fiscal Analyst on the implementation of pay increases and the impacts on lower pay bands on December 31, 2013 and December 31, 2014. This function will be administered in the Office of Budget and Program Planning. For a further discussion of the pay plan, see Volume 1 of the 2015 Biennium Fiscal Report.

The legislature provided an appropriation of \$7.5 million in general fund to the Governor's Office in SB 410. The legislation tasks the Governor's Office with allocating the appropriation among nine agencies for agency operations. This function will be administered in the Office of Budget and Program Planning.

Boilerplate

The boilerplate section in HB 2 includes the following language:

"It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of

FTE is the level that will be used to calculate personal services funding in the next biennium.”

The Legislative Fiscal Division has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 1.19 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,090,242	\$0	\$0	\$12,090,242	99.9%
State Special Total	16,755	-	-	16,755	0.1%
Federal Special Total	-	-	-	-	0.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$12,106,997</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,106,997</u>	
Percent - Total All Sources	100.0%	0.0%	0.0%		

The Governor's Office budget is funded primarily with general fund. Of the total agency funding, 0.1% is state special revenue that supports services in the Citizen's Advocate Program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,490,551	5,490,551	10,981,102	90.83%	5,501,668	5,501,668	11,003,336	90.88%
Statewide PL Adjustments	372,682	324,887	697,569	5.77%	369,974	322,116	692,090	5.72%
Other PL Adjustments	94,233	16,742	110,975	0.92%	94,233	16,742	110,975	0.92%
New Proposals	144,353	156,243	300,596	2.49%	144,353	156,243	300,596	2.48%
Total Budget	\$6,101,819	\$5,988,423	\$12,090,242		\$6,110,228	\$5,996,769	\$12,106,997	

Other Legislation

HB 3 - The legislature provided an appropriation of \$276,061 from the general fund in the supplemental bill, HB 3, for exempt staff payouts in the Governor's Office. This appropriation, good only in FY 2013, will provide the authority needed to make the payouts of annual leave, sick leave, and compensatory time for qualifying exempt staff of the previous Governor.

HB 13 - The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. For more information on the

impacts to the Governor's Office operations from this legislation refer to the "Summary of Legislative Action" section of this report.

HB 580 – This legislation provides funding of \$75,000 per biennium for the 2013 and 2015 biennia for the greater sage-grouse habitat conservation advisory council, established in Executive Order No. 2-2013. The council would propose policies, actions, and strategies to lessen the potential for listing the sage-grouse under the Endangered Species Act of 1973. Recommendations are expected to be delivered to the Governor by January 31, 2014.

SB 410 – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base. For more information on the impacts to the Governor's Office operations from this legislation refer to the "Summary of Legislative Action" section of this report.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	58.07	58.07	60.07	2.00	58.07	60.07	2.00	
Estimated Impact of HB 2*			(1.19)	(1.19)		(1.19)	(1.19)	
Net Estimated FTE*			58.88	(0.81)		58.88	(0.81)	
Personal Services	4,223,496	4,544,347	4,586,759	42,412	4,555,633	4,598,256	42,623	85,035
Operating Expenses	1,278,172	1,464,675	1,523,469	58,794	1,340,669	1,398,513	57,844	116,638
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$5,501,668	\$6,009,022	\$6,110,228	\$101,206	\$5,896,302	\$5,996,769	\$100,467	\$201,673
General Fund	5,490,551	6,000,613	6,101,819	101,206	5,887,956	5,988,423	100,467	201,673
State/Other Special	11,117	8,409	8,409	0	8,346	8,346	0	0
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$5,501,668	\$6,009,022	\$6,110,228	\$101,206	\$5,896,302	\$5,996,769	\$100,467	\$201,673

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

General fund support of this agency is a net biennium increase of \$201,673 from the executive proposal. The changes to the biennial budget include:

- Transfer of 2.00 FTE and associated expenses of the Energy Promotion and Development Division in the Department of Commerce to the Office of Economic Development - \$390,350 in personal services and operating expenses
- Reduction of a biennial total \$178,918 of general fund with the adoption of an additional 2% of vacancy savings
- Rejection of two proposals for upgrades to new motor vehicle leases – (\$10,006)

- Fixed cost adjustments - \$935
- Rejection of the Professional Development Center request - (\$688)

Language and Statutory Authority

The legislature included the following language in HB 2.

"Executive Office Program includes a reduction in general fund of \$89,342 in fiscal year 2014 and \$89,575 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.63	20.63	22.63	22.63	20.63	22.63	2.00	9.69%
Personal Services	1,586,727	1,601,945	1,714,042	1,719,299	3,188,672	3,433,341	244,669	7.67%
Operating Expenses	736,645	984,210	822,384	819,516	1,720,855	1,641,900	(78,955)	(4.59%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$2,323,372	\$2,586,155	\$2,536,426	\$2,538,815	\$4,909,527	\$5,075,241	\$165,714	3.38%
General Fund	2,323,372	2,586,155	2,536,426	2,538,815	4,909,527	5,075,241	165,714	3.38%
State Special	0	0	0	0	0	0	0	n/a
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$2,323,372	\$2,586,155	\$2,536,426	\$2,538,815	\$4,909,527	\$5,075,241	\$165,714	3.38%

Program Description

The Executive Office Program aids the Governor in overseeing and coordinating the activities of the Executive Branch of Montana state government. The program provides administrative, legal, and press support for the Office of the Governor. The Executive Office Program also administers programs with special impact on the citizens and governmental concerns of Montana. Special programs include the Office of Economic Development, which was created to strengthen the foundations of the state's business environment and diversify and expand existing economic endeavors to achieve long-term economic stability.

Program Highlights**Executive Office Program****Major Budget Highlights**

- The Executive Office Program budget is an increase of \$165,714 from the previous biennium primarily due to a transfer of the Energy Promotion and Development Division to the Office of Economic Development, with total personal service and operating expenses of \$390,350, including 2.00 FTE
- ♦ Personal service increases are offset by reductions of \$178,918 from the additional 2% of vacancy savings that can be allocated across all programs

Program Narrative

The legislature appropriated the Executive Office Program budget at an overall increase of 3.4%. The change is primarily related to a transfer of the functions of the Energy Promotion and Development Division, currently a function of the Department of Commerce, to the Office of Economic Development in the Executive Office Program. In transferring the program, the legislature reduced the number of staff assigned to this function from 5.00 FTE to 2.00 FTE, with a corresponding reduction in operating costs. The addition of FTE in the Governor's Office will bring the number of staff in the Office of Economic Development up to 7.63 FTE. The legislature made this change with the goal of gaining efficiencies and savings by having the two economic development programs combined in a single office. More information on this action may be found in the Department of Commerce section of this report.

The Executive Office Program also includes the budget reduction associated with the additional 2% vacancy savings adopted by the legislature. The added vacancy savings related to the Governor's Office budget provided a general fund savings of \$178,918 in the 2015 biennium. Language included in HB 2 allows the agency to allocate the reduction across the programs in the Governor's Office.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Executive Office Program						
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference
General Fund	\$5,075,241	\$0	\$0	\$5,075,241	100.0%	Statutory Category
Total All Funds	\$5,075,241	\$0	\$0	\$5,075,241	100.0%	
Percent - Total All Sources	100.0%	0.0%	0.0%			

The Executive Office Program is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,323,372	2,323,372	4,646,744	91.56%	2,323,372	2,323,372	4,646,744	91.56%
Statewide PL Adjustments	106,790	109,340	216,130	4.26%	106,790	109,340	216,130	4.26%
Other PL Adjustments	468	467	935	0.02%	468	467	935	0.02%
New Proposals	105,796	105,636	211,432	4.17%	105,796	105,636	211,432	4.17%
Total Budget	\$2,536,426	\$2,538,815	\$5,075,241		\$2,536,426	\$2,538,815	\$5,075,241	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				150,436						156,359
Vacancy Savings				(64,112)						(64,348)
Inflation/Deflation				(185)						102
Fixed Costs				20,651						17,227
Total Statewide Present Law Adjustments	\$106,790	\$0	\$0	\$106,790		\$109,340	\$0	\$0	\$109,340	
DP 50 - Initial Motion to FY 2012 Base	0.00 (106,790)	0	0	(106,790)	0.00	(109,340)	0	0	(109,340)	
DP 51 - Adjustment for Statewide Personal Services	0.00 86,324	0	0	86,324	0.00	92,011	0	0	92,011	
DP 52 - Adjustment for Statewide Operations	0.00 20,934	0	0	20,934	0.00	17,796	0	0	17,796	
Total Other Present Law Adjustments	0.00 \$468	\$0	\$0	\$468	0.00	\$467	\$0	\$0	\$467	
Grand Total All Present Law Adjustments	0.00 \$107,258	\$0	\$0	\$107,258	0.00	\$109,807	\$0	\$0	\$109,807	

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

New Proposals

New Proposals										
Fiscal 2014					Fiscal 2015					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
01	0.00	(89,342)	0	0	(89,342)	0.00	(89,576)	0	0	(89,576)
DP 120 - Energy Promotion and Development										
01	2.00	195,138	0	0	195,138	2.00	195,212	0	0	195,212
Total	2.00	\$105,796	\$0	\$0	\$105,796	2.00	\$105,636	\$0	\$0	\$105,636

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 120 - Energy Promotion and Development - The legislature transferred 2.00 FTE and related operating expenses from the Energy Promotion and Development Division in the Department of Commerce to the Office of Economic Development. The legislature then eliminated the remainder of the funding in the Department of Commerce. For a further discussion, see the narrative for that agency.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	76,168	57,451	73,547	74,748	133,619	148,295	14,676	10.98%
Operating Expenses	55,926	50,167	55,926	55,926	106,093	111,852	5,759	5.43%
Total Costs	\$132,094	\$107,618	\$129,473	\$130,674	\$239,712	\$260,147	\$20,435	8.52%
General Fund	132,094	107,618	129,473	130,674	239,712	260,147	20,435	8.52%
Total Funds	\$132,094	\$107,618	\$129,473	\$130,674	\$239,712	\$260,147	\$20,435	8.52%

Program Description

The Governor's Residence Operations Program provides for the day-to-day operations of the official state Executive Residence.

Program Highlights

Executive Residence Operations Major Budget Highlights	
♦	The 8.5% budgetary increase in the Executive Residence Operations program amounts to \$20,435 and is primarily due to: <ul style="list-style-type: none"> Increased repairs and maintenance costs occurring in the base year Increases to the pay rates of the staff

Program Narrative

The legislature approved an 8.5% budget increase in the Executive Residence Operations program. The increased budget can be tied to higher than anticipated base year expenditures for maintenance projects at the executive residence, primarily for safety purposes (gates, fences, hedges). Additionally, personal service costs will increase as a result of raises given to the 1.50 FTE in the base year.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Executive Residence Operations							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$260,147	\$0	\$0	\$260,147	100.0%		
Total All Funds	\$260,147	\$0	\$0	\$260,147	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Executive Residence Operations program is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	132,094	132,094	264,188	101.55%	132,094	132,094	264,188	101.55%
Statewide PL Adjustments	(2,621)	(1,420)	(4,041)	(1.55%)	(2,621)	(1,420)	(4,041)	(1.55%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$129,473	\$130,674	\$260,147		\$129,473	\$130,674	\$260,147	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(1,037)					(453)
Vacancy Savings					(3,005)					(3,029)
Inflation/Deflation					961					1,704
Fixed Costs					460					358
Total Statewide Present Law Adjustments										
		(\$2,621)	\$0	\$0	(\$2,621)		(\$1,420)	\$0	\$0	(\$1,420)
DP 50 - Initial Motion to FY 2012 Base										
	0.00	2,621	0	0	2,621	0.00	1,420	0	0	1,420
DP 51 - Adjustment for Statewide Personal Services										
	0.00	(4,042)	0	0	(4,042)	0.00	(3,482)	0	0	(3,482)
DP 52 - Adjustment for Statewide Operations										
	0.00	1,421	0	0	1,421	0.00	2,062	0	0	2,062
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments										
	0.00	(\$2,621)	\$0	\$0	(\$2,621)	0.00	(\$1,420)	\$0	\$0	(\$1,420)

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	93,971	119,417	117,762	117,593	213,388	235,355	21,967	10.29%
Operating Expenses	128,768	202,156	216,614	128,056	330,924	344,670	13,746	4.15%
Total Costs	\$222,739	\$321,573	\$334,376	\$245,649	\$544,312	\$580,025	\$35,713	6.56%
General Fund	222,739	321,554	334,376	245,649	544,293	580,025	35,732	6.56%
State Special	0	19	0	0	19	0	(19)	(100.00%)
Total Funds	\$222,739	\$321,573	\$334,376	\$245,649	\$544,312	\$580,025	\$35,713	6.56%

Program Description

The Air Transportation Program provides the Governor with air transportation.

Program Highlights

Air Transportation Program Major Budget Highlights	
◆	The legislature provided a budget increase in the Air Transportation Program that was due to: <ul style="list-style-type: none"> • Approval of one-time-only funding of airplane maintenance • Full funding of a vacant position and a raise provided in the base year

Program Narrative

The legislature approved 2015 biennium budget increases of 6.6% in the Air Transportation Program when compared to the 2013 biennium budget. In the base year, maintenance of the executive aircraft was 55% lower than the historic levels of expenditure. The legislature approved a one-time-only appropriation of \$90,000 in general fund that increases the maintenance funding to an amount closer to average maintenance expenditures. Personal service costs will increase by 10.3%, which primarily results from a raise provided to one member of the staff in the base year.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Air Transportation Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$580,025	\$0	\$0	\$580,025	100.0%		
Total All Funds	\$580,025	\$0	\$0	\$580,025	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Air Transportation Program is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	222,739	222,739	445,478	76.80%	222,739	222,739	445,478	76.80%
Statewide PL Adjustments	21,637	22,910	44,547	7.68%	21,637	22,910	44,547	7.68%
Other PL Adjustments	90,000	0	90,000	15.52%	90,000	0	90,000	15.52%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$334,376	\$245,649	\$580,025		\$334,376	\$245,649	\$580,025	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					28,698					28,522
Vacancy Savings					(4,907)					(4,900)
Inflation/Deflation					(5,711)					(3,860)
Fixed Costs					3,557					3,148
Total Statewide Present Law Adjustments										
	\$21,637		\$0	\$0	\$21,637		\$22,910	\$0	\$0	\$22,910
DP 1 - Airplane Maintenance Expenses - OTO										
	0.00	90,000	0	0	90,000	0.00	0	0	0	0
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(21,637)	0	0	(21,637)	0.00	(22,910)	0	0	(22,910)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	23,791	0	0	23,791	0.00	23,622	0	0	23,622
DP 52 - Adjustment for Statewide Operations										
	0.00	(2,154)	0	0	(2,154)	0.00	(712)	0	0	(712)
Total Other Present Law Adjustments										
	0.00	\$90,000	\$0	\$0	\$90,000	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments										
	0.00	\$111,637	\$0	\$0	\$111,637	0.00	\$22,910	\$0	\$0	\$22,910

DP 1 - Airplane Maintenance Expenses - OTO - The legislature approved one-time-only funding to address anticipated expenses in accordance with FAA requirements for the executive airplane.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	18.00	18.00	18.00	18.00	18.00	18.00	0.00	0.00%
Personal Services	1,256,263	1,406,015	1,454,600	1,455,111	2,662,278	2,909,711	247,433	9.29%
Operating Expenses	202,598	171,968	215,552	209,091	374,566	424,643	50,077	13.37%
Total Costs	\$1,458,861	\$1,577,983	\$1,670,152	\$1,664,202	\$3,036,844	\$3,334,354	\$297,510	9.80%
General Fund	1,458,861	1,577,983	1,670,152	1,664,202	3,036,844	3,334,354	297,510	9.80%
Total Funds	\$1,458,861	\$1,577,983	\$1,670,152	\$1,664,202	\$3,036,844	\$3,334,354	\$297,510	9.80%

Program Description

The Office of Budget and Program Planning (OBPP) assists the Governor in preparing the Governor's Executive Budget and administering the state government budget. In addition, the OBPP prepares and monitors revenue estimates and collections, prepares and publishes fiscal notes on proposed legislation and initiatives, and acts as approving authority for operational plan changes, program transfers, and budget amendments in the Executive Branch, in accordance with Title 17, Chapter 7, MCA. The OBPP acts as the lead Executive Branch agency for compliance with the federal Single Audit Act.

Program Highlights

Office of Budget and Program Planning Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Personal services increase by 9.29% primarily due to: <ul style="list-style-type: none"> • Raises provided to non-management staff in the base year • Funding for two positions that were unfilled in FY 2012 ◆ Operating expenses were increased in the base year due to higher costs for office supplies and increased information technology services fees ◆ The program will facilitate the allocation of appropriations from the pay plan and the budget increases included in SB 410 	

Program Narrative

The legislature approved a budget for OBPP with personal service increases of 9.3% from the 2013 biennium. The increases result from the two unfilled positions in the base year, coupled with raises provided to staff in March 2012. In addition, operating expenses were increased in the base year to cover the costs of office supplies and fixed costs of the State Information Technology Services Division, and that increase was approved to carry through to the 2015 biennium.

In the 2015 biennium, OBPP will be required to allocate lump sums from the pay plan (HB 13) and specific budget increases (SB 410) among agencies in the executive branch. In the case of the HB 13 pay plan, the program will be required to allocate the provided appropriation given criteria established in the legislation, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. SB 410 provides a one-time-only biennial appropriation of \$7.5 million, which may be allocated at the Governor's discretion, for operating costs to the following agencies:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation

- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Ofc Budget & Program Planning							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,334,354	\$0	\$0	\$3,334,354	100.0%		
Total All Funds	\$3,334,354	\$0	\$0	\$3,334,354	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Office of Budget and Program Planning is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,458,861	1,458,861	2,917,722	87.50%	1,458,861	1,458,861	2,917,722	87.50%
Statewide PL Adjustments	209,620	191,160	400,780	12.02%	209,620	191,160	400,780	12.02%
Other PL Adjustments	1,671	14,181	15,852	0.48%	1,671	14,181	15,852	0.48%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$1,670,152	\$1,664,202	\$3,334,354		\$1,670,152	\$1,664,202	\$3,334,354	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				258,946					259,477	
Vacancy Savings				(60,609)					(60,629)	
Inflation/Deflation				(36)					(23)	
Fixed Costs				11,319					(7,665)	
Total Statewide Present Law Adjustments	\$209,620	\$0	\$0	\$209,620		\$191,160	\$0	\$0	\$191,160	
DP 50 - Initial Motion to FY 2012 Base	0.00	(209,620)	0	0	(209,620)	0.00	(191,160)	0	0	(191,160)
DP 51 - Adjustment for Statewide Personal Services	0.00	198,337	0	0	198,337	0.00	198,848	0	0	198,848
DP 52 - Adjustment for Statewide Operations	0.00	11,283	0	0	11,283	0.00	(7,688)	0	0	(7,688)
DP 103 - Global Insight Contract and Session Costs	0.00	1,671	0	0	1,671	0.00	14,181	0	0	14,181
Total Other Present Law Adjustments	0.00	\$1,671	\$0	\$0	\$1,671	0.00	\$14,181	\$0	\$0	\$14,181
Grand Total All Present Law Adjustments	0.00	\$211,291	\$0	\$0	\$211,291	0.00	\$205,341	\$0	\$0	\$205,341

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 103 - Global Insight Contract and Session Costs - The legislature approved increased funding for subscription and publication costs. In FY 2013 OBPP will enter into a new contract for the subscription to Global Insight (GI), an economic data service, on behalf of the Legislative Fiscal Division, Department of Transportation, and themselves. The appropriation anticipates a cost increase under a new contract of 5% each year. This decision package also includes a cyclical adjustment in FY 2015 to cover the increased costs related to the preparation and publication of the executive budget.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	2.00	2.00	2.00	2.00	2.00	2.00	0.00	0.00%
Personal Services	154,974	146,635	154,366	154,128	301,609	308,494	6,885	2.28%
Operating Expenses	17,408	25,820	19,258	19,068	43,228	38,326	(4,902)	(11.34%)
Total Costs	\$172,382	\$172,455	\$173,624	\$173,196	\$344,837	\$346,820	\$1,983	0.58%
General Fund	172,382	172,455	173,624	173,196	344,837	346,820	1,983	0.58%
Total Funds	\$172,382	\$172,455	\$173,624	\$173,196	\$344,837	\$346,820	\$1,983	0.58%

Program Description

The Coordinator of Indian Affairs Program serves as the Governor's liaison with state Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations on these issues to the Legislative and Executive Branches. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesperson for representative Native American organizations and groups, both public and private, whenever that support is requested. The program is mandated by 2-15-217 and 90-11-101, MCA.

Program Highlights

Coordinator of Indian Affairs

Major Budget Highlights

- ◆ The legislature approved the budget as requested, which is essentially unchanged from the 2013 biennium budget

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Office Of Indian Affairs							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$346,820	\$0	\$0	\$346,820	100.0%		
Total All Funds	\$346,820	\$0	\$0	\$346,820	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Office of Indian Affairs office is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	172,382	172,382	344,764	99.41%	172,382	172,382	344,764	99.41%
Statewide PL Adjustments	1,242	814	2,056	0.59%	1,242	814	2,056	0.59%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$173,624	\$173,196	\$346,820		\$173,624	\$173,196	\$346,820	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
	Fiscal 2014				Fiscal 2015				Total Funds
	FTE	General Fund	State Special	Federal Special	FTE	General Fund	State Special	Federal Special	
Personal Services									5,576
Vacancy Savings									(6,422)
Inflation/Deflation									(19)
Fixed Costs									1,679
Total Statewide Present Law Adjustments		\$1,242	\$0	\$0		\$814	\$0	\$0	\$814
DP 50 - Initial Motion to FY 2012 Base	0.00	(1,242)	0	0	0.00	(814)	0	0	(814)
DP 51 - Adjustment for Statewide Personal Services	0.00	(608)	0	0	0.00	(846)	0	0	(846)
DP 52 - Adjustment for Statewide Operations	0.00	1,850	0	0	0.00	1,660	0	0	1,660
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments	0.00	\$1,242	\$0	\$0	0.00	\$814	\$0	\$0	\$814

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	290,508	278,634	303,945	304,042	569,142	607,987	38,845	6.83%
Operating Expenses	52,696	51,057	105,899	79,377	103,753	185,276	81,523	78.57%
Total Costs	\$343,204	\$329,691	\$409,844	\$383,419	\$672,895	\$793,263	\$120,368	17.89%
General Fund	343,204	329,691	409,844	383,419	672,895	793,263	120,368	17.89%
Total Funds	\$343,204	\$329,691	\$409,844	\$383,419	\$672,895	\$793,263	\$120,368	17.89%

Program Description

The Centralized Services Program provides business services to all programs within the Governor's Office. Services include payroll and personnel, accounting, central asset management and computer replacement, data processing, and budget preparation and monitoring for the entire office.

Program Highlights

The Centralized Services Program Major Budget Highlights	
♦	Budget increases in the 2015 biennium result primarily from: <ul style="list-style-type: none"> • Moving the computer replacement schedule into the base • Present law adjustments for personal services, driven by raises provided in the 2013 biennium

Program Narrative

The legislature approved the budget for the Centralized Services Division in the 2015 biennium with an increase of 17.9% from the 2013 biennium. Over half of the budgetary increase results from the approval of computer replacement funding. Computer replacement in the Governor's Office is managed in the program on a five-year revolving schedule, and in past biennia the funding for the scheduled replacements has been made one-time-only. In the 2015 biennium, the funding will become a base expenditure. The legislature also provided present law increases, including the increases for personal services that were driven by raises given to the staff in the 2013 biennium.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Centralized Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$793,263	\$0	\$0	\$793,263	100.0%		
Total All Funds	\$793,263	\$0	\$0	\$793,263	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Centralized Services Program is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	343,204	343,204	686,408	86.53%	343,204	343,204	686,408	86.53%
Statewide PL Adjustments	40,640	2,165	42,805	5.40%	40,640	2,165	42,805	5.40%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	26,000	38,050	64,050	8.07%	26,000	38,050	64,050	8.07%
Total Budget	\$409,844	\$383,419	\$793,263		\$409,844	\$383,419	\$793,263	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
FTE	Fiscal 2014				FTE	Fiscal 2015			
	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
Personal Services				26,102					26,203
Vacancy Savings				(12,665)					(12,669)
Inflation/Deflation				3					5
Fixed Costs				27,200					(11,374)
Total Statewide Present Law Adjustments	\$40,640	\$0	\$0	\$40,640		\$2,165	\$0	\$0	\$2,165
DP 50 - Initial Motion to FY 2012 Base	0.00	(40,640)	0	(40,640)	0.00	(2,165)	0	0	(2,165)
DP 51 - Adjustment for Statewide Personal Services	0.00	13,437	0	13,437	0.00	13,534	0	0	13,534
DP 52 - Adjustment for Statewide Operations	0.00	27,203	0	27,203	0.00	(11,369)	0	0	(11,369)
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments	0.00	\$40,640	\$0	\$40,640	0.00	\$2,165	\$0	\$0	\$2,165

P 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - Computer Equipment Replacement										
06	0.00	26,000	0	0	26,000	0.00	38,050	0	0	38,050
Total	0.00	\$26,000	\$0	\$0	\$26,000	0.00	\$38,050	\$0	\$0	\$38,050

DP 102 - Computer Equipment Replacement - The legislature approved replacement costs for the computer equipment used within the Governor's Office but not included in the base budget. The program has implemented a five year replacement schedule for such equipment and will be continued as a base expenditure in future years.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	3.94	3.94	3.94	3.94	3.94	3.94	0.00	0.00%
Personal Services	316,309	302,244	316,603	320,858	618,553	637,461	18,908	3.06%
Operating Expenses	20,188	23,021	19,927	19,924	43,209	39,851	(3,358)	(7.77%)
Total Costs	\$336,497	\$325,265	\$336,530	\$340,782	\$661,762	\$677,312	\$15,550	2.35%
General Fund	336,497	325,265	336,530	340,782	661,762	677,312	15,550	2.35%
Total Funds	\$336,497	\$325,265	\$336,530	\$340,782	\$661,762	\$677,312	\$15,550	2.35%

Program Description

The Office of the Lieutenant Governor is responsible for carrying out duties prescribed by statute established by Article VI, Section 4 of the Montana Constitution, as well as those delegated by the Governor. Statutory authority is Title 2, Chapter 15, part 3, MCA.

Program Highlights

Office of the Lieutenant Governor Major Budget Highlights	
♦	Budget increases in personal services contained in the statewide present law adjustments are driven by raises provided in the 2013 biennium

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Lieutenant Governor'S Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$677,312	\$0	\$0	\$677,312	100.0%		
Total All Funds	\$677,312	\$0	\$0	\$677,312	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%	0.0%			

The Office of the Lieutenant Governor's is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	336,497	336,497	672,994	99.36%	336,497	336,497	672,994	99.36%
Statewide PL Adjustments	33	4,285	4,318	0.64%	33	4,285	4,318	0.64%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$336,530	\$340,782	\$677,312		\$336,530	\$340,782	\$677,312	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					8,941					13,374
Vacancy Savings					(8,647)					(8,825)
Inflation/Deflation					(220)					(148)
Fixed Costs					(41)					(116)
Total Statewide Present Law Adjustments										
		\$33	\$0	\$0	\$33		\$4,285	\$0	\$0	\$4,285
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(33)	0	0	(33)	0.00	(4,285)	0	0	(4,285)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	294	0	0	294	0.00	4,549	0	0	4,549
DP 52 - Adjustment for Statewide Operations										
	0.00	(261)	0	0	(261)	0.00	(264)	0	0	(264)
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments										
	0.00	\$33	\$0	\$0	\$33	0.00	\$4,285	\$0	\$0	\$4,285

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	93,318	89,200	94,764	94,631	182,518	189,395	6,877	3.77%
Operating Expenses	8,381	10,394	8,409	8,346	18,775	16,755	(2,020)	(10.76%)
Total Costs	\$101,699	\$99,594	\$103,173	\$102,977	\$201,293	\$206,150	\$4,857	2.41%
General Fund	90,582	88,490	94,764	94,631	179,072	189,395	10,323	5.76%
State Special	11,117	11,104	8,409	8,346	22,221	16,755	(5,466)	(24.60%)
Total Funds	\$101,699	\$99,594	\$103,173	\$102,977	\$201,293	\$206,150	\$4,857	2.41%

Program Description

The Citizens' Advocate Office exists to provide access to state government for Montana citizens. The office provides information to citizens and functions as a referral service for public comments, suggestions, and requests for information. The office provides a toll-free number to the public.

Program Highlights

Citizens' Advocate Office Major Budget Highlights	
♦	The legislature approved the budget for the Citizen's Advocate Office with a slight biennial increase related to statewide present law adjustments

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Citizens' Advocate Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$189,395	\$0	\$0	\$189,395	91.9%		
State Special Total	\$16,755	\$0	\$0	\$16,755	8.1%		
02253 Citizen's Advocate State Special Revenue	\$16,755	\$0	\$0	\$16,755	8.1%		
Total All Funds	\$206,150	\$0	\$0	\$206,150	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Citizens' Advocate Office is funded primarily with general fund. A small amount of state special funds, collected through charges by the Citizens' Advocate to the Department of Public Health and Human Services (DPHHS) for the telephone calls that the office handles on behalf of DPHHS, also supports the program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	90,582	90,582	181,164	95.65%	101,699	101,699	203,398	98.67%
Statewide PL Adjustments	4,182	4,049	8,231	4.35%	1,474	1,278	2,752	1.33%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$94,764	\$94,631	\$189,395		\$103,173	\$102,977	\$206,150	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					5,395					5,256
Vacancy Savings					(3,949)					(3,943)
Fixed Costs					28					(35)
Total Statewide Present Law Adjustments										
		\$4,182	(\$2,708)	\$0	\$1,474		\$4,049	(\$2,771)	\$0	\$1,278
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(4,182)	2,708	0	(1,474)	0.00	(4,049)	2,771	0	(1,278)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	1,288	158	0	1,446	0.00	1,169	144	0	1,313
DP 52 - Adjustment for Statewide Operations										
	0.00	25	3	0	28	0.00	(31)	(4)	0	(35)
DP 53 - Base Funding Switch										
	0.00	2,869	(2,869)	0	0	0.00	2,911	(2,911)	0	0
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments										
	0.00	\$4,182	(\$2,708)	\$0	\$1,474	0.00	\$4,049	(\$2,771)	\$0	\$1,278

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	355,258	324,166	357,130	357,846	679,424	714,976	35,552	5.23%
Operating Expenses	55,562	73,427	59,500	59,209	128,989	118,709	(10,280)	(7.97%)
Total Costs	\$410,820	\$397,593	\$416,630	\$417,055	\$808,413	\$833,685	\$25,272	3.13%
General Fund	410,820	397,593	416,630	417,055	808,413	833,685	25,272	3.13%
Total Funds	\$410,820	\$397,593	\$416,630	\$417,055	\$808,413	\$833,685	\$25,272	3.13%

Program Description

The Mental Disabilities Board of Visitors is charged with formally reviewing patient care and assisting people who have complaints about services at Montana's licensed mental health centers, community hospital psychiatric units, children's residential treatment programs, and at the state facilities that serve people with mental illnesses and developmental disabilities. The board provides legal services to patients at Montana State Hospital. The Governor appoints six board members who represent recipients of services and their families, and the mental health and developmental disability professions. The board employs administrative and legal staff and contracts with mental health and developmental disability professionals to carry out its responsibilities for patient representation and facility review. The Mental Disabilities Board of Visitors Program was created by the Developmental Disabilities Act of 1975 and the Mental Commitment and Treatment Act of 1975 and exists as a state mandate.

The Mental Health Ombudsman is statutorily directed to "represent the interests of individuals with regard to need for public mental health services". The office functions with 1.5 FTE responding to statewide requests for service. The Office of the Ombudsman was created by the legislature in 1999 and is appointed by the Governor for a four year term.

Program Highlights

Mental Disabilities Board of Visitors	
Major Budget Highlights	
♦	The 2015 biennium budget for the Mental Disabilities Board of Visitors is a 3.1% increase from the 2013 biennium primarily due to full funding of 2.00 paralegal FTE, vacant in the base year
♦	Reductions in statewide present law adjustments are offset by an appropriation for a leased vehicle in the program

Program Narrative

The legislature approved the budget for the Mental Disabilities Board of Visitors budget with an increase by 3.1% from the 2013 biennium budget. The increase in personal services includes an appropriation to fully fund two paralegal positions that were vacant in the base year. Additionally, the legislature approved the requested change from daily rentals of vehicles to a program leased vehicle, which is expected to provide savings in future years.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Mental Disabilities Bd Visitors						
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference Statutory Category
General Fund	\$833,685	\$0	\$0	\$833,685	100.0%	
Total All Funds	\$833,685	\$0	\$0	\$833,685	100.0%	
Percent - Total All Sources	100.0%	0.0%	0.0%			

The Mental Disabilities Board of Visitors is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	410,820	410,820	821,640	98.56%	410,820	410,820	821,640	98.56%
Statewide PL Adjustments	(8,841)	(8,416)	(17,257)	(2.07%)	(8,841)	(8,416)	(17,257)	(2.07%)
Other PL Adjustments	2,094	2,094	4,188	0.50%	2,094	2,094	4,188	0.50%
New Proposals	12,557	12,557	25,114	3.01%	12,557	12,557	25,114	3.01%
Total Budget	\$416,630	\$417,055	\$833,685		\$416,630	\$417,055	\$833,685	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				Total Funds
	General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
Personal Services				3,673					4,417
Vacancy Savings				(14,358)					(14,386)
Inflation/Deflation				(93)					(59)
Fixed Costs				1,937					1,612
Total Statewide Present Law Adjustments	(\$8,841)	\$0	\$0	(\$8,841)	(\$8,416)	\$0	\$0	(\$8,416)	
DP 50 - Initial Motion to FY 2012 Base	0.00	8,841	0	8,841	0.00	8,416	0	8,416	
DP 51 - Adjustment for Statewide Personal Services	0.00	(10,685)	0	(10,685)	0.00	(9,969)	0	(9,969)	
DP 52 - Adjustment for Statewide Operations	0.00	1,844	0	1,844	0.00	1,553	0	1,553	
DP 104 - Motor Pool Leased Vehicle	0.00	2,094	0	2,094	0.00	2,094	0	2,094	
Total Other Present Law Adjustments	0.00	\$2,094	\$0	\$2,094	0.00	\$2,094	\$0	\$2,094	
Grand Total All Present Law Adjustments	0.00	(\$6,747)	\$0	(\$6,747)	0.00	(\$6,322)	\$0	(\$6,322)	

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 104 - Motor Pool Leased Vehicle - The legislature approved and funded the acquisition of a small leased vehicle from the state motor pool for use by the staff of the Board of Visitors. This appropriation will reduce or eliminate the need for daily vehicles in the future and reduce costs.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 2001 - Board of Visitors Pay Discrepancy										
20	0.00	12,557	0	0	12,557	0.00	12,557	0	0	12,557
Total	0.00	\$12,557	\$0	\$0	\$12,557	0.00	\$12,557	\$0	\$0	\$12,557

DP 2001 - Board of Visitors Pay Discrepancy - The legislature approved an adjustment in personal service costs. The increase fully funds two paralegal positions that were partially vacant in FY 2012 and a position reclassification.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n/a
Personal Services	0	0	48,000	48,000	0	96,000	96,000	n/a
Operating Expenses	0	0	60,000	60,000	0	120,000	120,000	n/a
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	0	0	20,000	20,000	0	40,000	40,000	n/a
Debt Service	0	0	0	0	0	0	0	n/a
Total Costs	\$0	\$0	\$128,000	\$128,000	\$0	\$256,000	\$256,000	n/a
General Fund	0	0	0	0	0	0	0	n/a
Federal Special	0	0	128,000	128,000	0	256,000	256,000	n/a
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$0	\$0	\$128,000	\$128,000	\$0	\$256,000	\$256,000	n/a

Agency Description

Agency Mission: It is the mission of the Secretary of State to improve services to Montana's voters, business community, and governmental agencies through open communications, effective use of technology, and transparent accountability.

The Secretary of State's Office:

- Interprets state election laws and oversees statewide, federal, legislative, Public Service Commission, district court judge, and ballot issue elections
- Maintains the official records of the executive branch and the acts of the legislature
- Reviews, maintains, and distributes public-interest records of businesses and nonprofit organizations
- Files administrative rules adopted by state departments, boards, and agencies
- Attests to the Governor's signature on executive orders, proclamations, resolutions, extradition papers, and appointments
- Preserves the state seal
- Files and maintains records of secured financial transactions, such as liens
- Serves on the state Board of Land Commissioners and the Board of Examiners
- Commissions notaries public

The Secretary of State's Office consists of one program, the Business and Government Services Program, which provides all the functions of the office.

Agency Highlights

Secretary of State's Office Major Budget Highlights	
◆	The legislature included the proprietary operations of the SOS in HB 2, including 55.25 FTE, personal services of \$6.2 million, and operating costs of \$2.95 million. The Governor line item vetoed the proprietary funds from HB 2
◆	The legislature also provided proprietary funding for operating costs associated with the Statewide Voter Registration System (SVRS)
◆	Help America Vote Act funding of \$256,000 was approved to support various election functions of the office

Summary of Legislative Action

Since the 1993 Legislature enacted HB 549, the majority of the operations of the Secretary of State's Office have been funded through proprietary funds and as such have not been included in the legislative review process conducted as part of its budget deliberations. The legislature increased its oversight over the operations of the Secretary of State by including the proprietary funding of the office in HB 2 and designating its uses over the 2015 biennium. The funding provides for the following major functions:

- Election administration
- Registration and document filing of Montana businesses
- Publication and distribution of administrative rules
- Records management of public documents generated by state and local government
- Centralized services for the Secretary of State's Office

The legislature used the 2013 Biennium Report on Internal Service and Enterprise Funds for the business and government services account in the enterprise fund as submitted by the SOS to determine the level of funding, the number of FTE, and the costs for personal services, operating expenses, equipment and intangible assets, grants, and debt service.

In addition, the legislature provided support for the statewide voter registration system (SVRS) through appropriation of proprietary funding. The legislature restricted the funding to support for 1.00 FTE and operational costs of the statewide voter file that was mandated by the federal Help America Vote Act of 2002. The funding was restricted due to legislative concern that the costs for the SVRS would be passed onto the counties.

Governor Bullock line item vetoed the proprietary funding for the Secretary of State's Office prior to signing House Bill 2, stating that the authority was redundant. At the time of this writing a legislative poll is being conducted to determine if the legislature will override the Governor's veto. The agency's budget tables in the Fiscal Analysis reflect the veto and as such do not include the proprietary funding appropriated in HB 2 by the legislature.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	0.00	1.00	0.00	(1.00)	1.00	0.00	(1.00)	
Personal Services	0	59,376	48,000	(11,376)	59,374	48,000	(11,374)	(22,750)
Operating Expenses	0	1,104,253	60,000	(1,044,253)	594,655	60,000	(534,655)	(1,578,908)
Equipment & Intangible Assets	0	40,000	0	(40,000)	40,000	0	(40,000)	(80,000)
Grants	0	0	20,000	20,000	0	20,000	20,000	40,000
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$0	\$1,203,629	\$128,000	(\$1,075,629)	\$694,029	\$128,000	(\$566,029)	(\$1,641,658)
General Fund	0	690,629	0	(690,629)	694,029	0	(694,029)	(1,384,658)
Federal Special	0	513,000	128,000	(385,000)	0	128,000	128,000	(257,000)
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$0	\$1,203,629	\$128,000	(\$1,075,629)	\$694,029	\$128,000	(\$566,029)	(\$1,641,658)

The legislature switched funding for the Statewide Voter Registration System (SVRS) from the general fund to the proprietary fund. The legislature also reduced authority for federal Help America Vote Act funds from \$513,000 over the biennium to \$256,000 over the biennium to align appropriation authority with the costs associated with the program.

Funding

The following table shows funding, by source of authority for the 2015 biennium as adopted by the legislature.

Total Secretary Of State's Office Funding by Source of Authority 2015 Biennium Budget - Business & Government Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Federal Special Total	\$256,000	\$0	\$0	\$256,000	2.7%		
03715 Elections Federal Grant	\$256,000	\$0	\$0	\$256,000	2.7%		
Proprietary Total	\$0	\$9,209,343	\$0	\$9,209,343	97.3%		
06053 Sec. Of St. Business Services	\$0	\$9,209,343	\$0	\$9,209,343	97.3%		
Total All Funds	\$256,000	\$9,209,343	\$0	\$9,465,343	100.0%		
Percent - Total All Sources	2.7%	97.3%	0.0%				

The operations of the Secretary of State's Office are primarily funded with proprietary funds derived from fees for services, document sales, and other fees established in statute.

The legislature provided \$1.4 million in proprietary funding to support the statewide voter registration system. The executive had requested general fund for this purpose.

In recent years, the federal Help America Vote Act of 2002 (HAVA) has provided federal special revenues for election reform initiatives. Since expenditure of HAVA interest funds in the base were designated as one-time-only, these expenditures were removed from the base and no base exists. Interest accrued on deposit of HAVA funds remains unspent and funding from these funds was approved for the 2015 biennium.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	0	0	0	0.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	128,000	128,000	256,000	100.00%
Total Budget	\$0	\$0	\$0		\$128,000	\$128,000	\$256,000	

As discussed in the Agency Discussion narrative, HAVA funding was designated as one-time-only for FY 2012, resulting in a new proposal request to reinstate federal funding for the 2015 biennium.

Other Legislation

HB 10 – The legislature appropriated \$4.078 million in long range information technology project funds to the Secretary of State. The funding provides for Phase 2 of the information management system for the SOS.

New Proposals

New Proposals		Fiscal 2014				Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1503 - HAVA Interest (Biennial) OTO										
01	0.00	0	0	128,000	128,000	0.00	0	0	128,000	128,000
Total	0.00	\$0	\$0	\$128,000	\$128,000	0.00	\$0	\$0	\$128,000	\$128,000

DP 1503 - HAVA Interest (Biennial) OTO - The legislature approved spending authority for cumulative interest earnings from the Help America Vote Act grant. Authority would be used for related expenses and grants to counties to continue to comply with the act.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	6.00	6.00	7.00	7.00	6.00	7.00	1.00	16.67%
Personal Services	263,000	306,626	385,271	384,934	569,626	770,205	200,579	35.21%
Operating Expenses	216,605	260,402	202,855	171,473	477,007	374,328	(102,679)	(21.53%)
Total Costs	\$479,605	\$567,028	\$588,126	\$556,407	\$1,046,633	\$1,144,533	\$97,900	9.35%
General Fund	479,605	567,028	588,126	556,407	1,046,633	1,144,533	97,900	9.35%
Total Funds	\$479,605	\$567,028	\$588,126	\$556,407	\$1,046,633	\$1,144,533	\$97,900	9.35%

Agency Description

Agency Mission: To monitor and to enforce, in a fair and impartial manner: campaign practices and campaign finance disclosure; lobbying disclosure; business interest disclosure of statewide and state district candidates, elected state officials, and state department directors, ethical standards of conduct for legislators, public officers, and state employees, and to investigate legitimate complaints that arise concerning any of the foregoing.

The Commissioner of Political Practices (COPP) has responsibilities that were defined by a legislative initiative in 1980 requiring disclosure of acts by lobbyists and business interests of elected officials. COPP also has responsibility for the ethical standards of conduct for legislators, public officers, and state employees pursuant to Title 2, Chapter 2, MCA.

Agency Highlights

Commissioner of Political Practices Major Budget Highlights	
♦	The legislature changed the provision of legal services by eliminating contracted legal services and adding a one-time-only in-house legal counsel <ul style="list-style-type: none"> • The overall cost difference is a reduction of \$27,000 in general fund over the biennium • Anticipated efficiencies for the position include reducing the backlog of decisions on outstanding complaints, reduced time to issue decisions, and settlement of pending lawsuits

Summary of Legislative Action

The legislature provided funding that is 9.4% greater when compared to funding provided for the 2013 biennium. To address an increasing workload related to complaint investigations and pending lawsuits the legislature provided an in-house counsel on a one-time-only basis. The funding for the new position was provided by reducing funding for contracted services with the Department of Justice and increasing personal services. The overall impact of the change was a reduction in general fund of \$27,000 over the biennium.

The legislature included monitoring requirements within SJR 33 for the in-house legal counsel, including progress on:

- Increases in the number of investigation and decisions issued
- Reductions in the time to resolve complaints
- Reductions in the time to provide decisions

In addition, the legislature recommended that the Joint Appropriations Subcommittee on General Government of the 2015 Legislature receive a report on the progress during its budget deliberations.

The legislature also approved funding for the COPP to move from its current location to one with additional office and file space. The one-time-only general fund appropriation provides for both moving and set-up costs in the new location.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	6.00	7.00	7.00	0.00	7.00	7.00	0.00	
Personal Services	263,000	385,271	385,271	0	384,934	384,934	0	0
Operating Expenses	216,605	202,255	202,855	600	170,872	171,473	601	1,201
Total Costs	\$479,605	\$587,526	\$588,126	\$600	\$555,806	\$556,407	\$601	\$1,201
General Fund	479,605	587,526	588,126	600	555,806	556,407	601	1,201
Total Funds	\$479,605	\$587,526	\$588,126	\$600	\$555,806	\$556,407	\$601	\$1,201

Changes from the executive proposal include:

- Increases for general liability premiums
- Decreases for fixed costs related to the statewide accounting, budgeting, and human resources system
- Rejection of a proposal to change the methodology for funding state employee training. Under the approved rates, training costs for the Office of the Commissioner of Political Practices are increased by \$551 each year of the biennium

Funding

The following table shows agency funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Comm Of Political Practices Funding by Source of Authority 2015 Biennium Budget - Administration							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,144,533	\$0	\$0	\$1,144,533	100.0%		
Total All Funds	\$1,144,533	\$0	\$0	\$1,144,533	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Office of the Commissioner of Political Practices (COPP) is funded entirely with general fund appropriated in HB 2. A small amount of revenue is generated from nominal fees for printing and distribution, as well as civil fines for violation of campaign laws. Both are deposited into the general fund. In addition, COPP collects a \$150 lobbyist filing fee that is also deposited into the general fund. Of this amount, \$100 is transferred to a state special revenue account for appropriation to the Legislative Services Division to support the state broadcasting system TVMT. The lobbyist license expires at the end of each odd numbered year, just before the start of the legislative session.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	479,605	479,605	959,210	83.81%	479,605	479,605	959,210	83.81%
Statewide PL Adjustments	87,339	79,064	166,403	14.54%	87,339	79,064	166,403	14.54%
Other PL Adjustments	49	50	99	0.01%	49	50	99	0.01%
New Proposals	21,133	(2,312)	18,821	1.64%	21,133	(2,312)	18,821	1.64%
Total Budget	\$588,126	\$556,407	\$1,144,533		\$588,126	\$556,407	\$1,144,533	

Statewide present law adjustments for the COPP included increases for personal services, fixed costs, and inflation, which were the majority of the changes to the budget.

Other Legislation

HB 10 – The legislature appropriated \$0.502 million in long range information technology project funds to the Commissioner of Political Practices. The funding provides for campaign reporting service/database rewrite for the COPP.

HB 13 – The legislature approved funding for a pay plan for state employees. For employees of the executive branch, the calculation is based upon a 3% increase beginning October 1, 2013 (FY 2014) and again on July 1, 2014 (FY 2015), as well as a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. Allocation of the funds is left to the executive branch.

SB 392 – The legislature approved increasing the authority of the Commissioner of Political Practices to enforce laws pertaining to anonymous election materials and requiring notification of the complainant and the candidate or the political committee if the complaint has merit. The estimated cost to the COPP of the implementing the bill is \$7,500 in FY 2014 and \$5,000 in FY 2015. The legislature did not provide additional funding for COPP to implement the act.

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014						Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				50,768					50,476	
Inflation/Deflation				76					153	
Fixed Costs				36,495					28,435	
Total Statewide Present Law Adjustments										
	\$87,339	\$0	\$0	\$87,339		\$79,064	\$0	\$0	\$79,064	
DP 50 - Initial Motion to FY 2012 Base										
0.00	(87,339)	0	0	(87,339)	0.00	(79,064)	0	0	(79,064)	
DP 51 - Adjustment for Statewide Personal Services										
0.00	50,768	0	0	50,768	0.00	50,476	0	0	50,476	
DP 52 - Adjustment for Statewide Operations										
0.00	36,620	0	0	36,620	0.00	28,638	0	0	28,638	
Total Other Present Law Adjustments										
0.00	\$49	\$0	\$0	\$49	0.00	\$50	\$0	\$0	\$50	
Grand Total All Present Law Adjustments										
0.00	\$87,388	\$0	\$0	\$87,388	0.00	\$79,114	\$0	\$0	\$79,114	

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 1 - Agency Legal Counsel - OTO										
01	1.00	(13,497)	0	0	(13,497)	1.00	(13,542)	0	0	(13,542)
DP 3 - Change in Agency Location OTO										
01	0.00	34,630	0	0	34,630	0.00	11,230	0	0	11,230
Total	1.00	\$21,133	\$0	\$0	\$21,133	1.00	(\$2,312)	\$0	\$0	(\$2,312)

DP 1 - Agency Legal Counsel - OTO - The legislature eliminated \$85,000 in contracted services that had been used to provide for contract services for an attorney within the Department of Justice. The legislature used the funding for 1.00 FTE for a Legal Counsel. COPP receives numerous complaints each year requiring a significant amount of time to resolve. The contracted attorney from the Department of Justice can't keep up with the investigator. Currently there are 31 cases on the complaint docket. Sixteen cases have been fully investigated and are ready for a decision. In addition to the complaint docket COPP has seven pending lawsuits.

The legislature also recommended that the Legislative Finance Committee monitor progress by the agency legal counsel including:

- o Increases in the number of investigation and decisions issued
- o Reductions in the time to resolve complaints
- o Reduction in the time to provide decisions

In addition, the legislature recommended that the Joint Appropriations Subcommittee on General Government receive a report on the progress during its budget deliberations for the 2015 Legislature.

DP 3 - Change in Agency Location OTO - The legislature approved one-time-only funding to move the office in FY 2014. COPP will move to a larger location that will accommodate 7.00 FTE and filing space, as well as the temporary staff employed during the busy election season to assist with scanning and filing documents.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	85.80	85.80	87.80	87.80	85.80	87.80	2.00	2.33%
Estimated Impact of HB 2*			(3.03)	(3.03)		(3.03)	(3.03)	
Net Estimated FTE*			84.77	84.77		84.77	(1.03)	
Personal Services	5,163,890	5,228,420	5,814,197	5,788,266	10,392,310	11,602,463	1,210,153	11.64%
Operating Expenses	2,452,750	2,256,566	3,583,604	3,333,398	4,709,316	6,917,002	2,207,686	46.88%
Equipment & Intangible Assets	8,695	13,751	8,695	8,695	22,446	17,390	(5,056)	(22.53%)
Benefits & Claims	10,448,099	10,678,166	10,004,758	10,004,758	21,126,265	20,009,516	(1,116,749)	(5.29%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$18,073,434	\$18,176,903	\$19,411,254	\$19,135,117	\$36,250,337	\$38,546,371	\$2,296,034	6.33%
General Fund	0	0	1,646,660	6,763,375	0	8,410,035	8,410,035	n/a
State Special	18,073,434	18,176,903	17,764,594	12,371,742	36,250,337	30,136,336	(6,114,001)	(16.87%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$18,073,434	\$18,176,903	\$19,411,254	\$19,135,117	\$36,250,337	\$38,546,371	\$2,296,034	6.33%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

The mission of the State Auditor's Office is to assure compliance with the Montana insurance and securities laws, promote captive insurance formations, administer the Insure Montana program, and assist consumers with complaints involving the securities and insurance industries.

Agency Highlights

State Auditor's Office Major Budget Highlights	
♦	The 2015 biennium appropriation for the State Auditor's Office is \$2.3 million and 2.00 FTE higher than the 2013 biennium budget due to: <ul style="list-style-type: none"> • \$1.0 million for increased costs and anticipated workloads to examine both insurance companies and securities firms • \$0.8 million in statewide present law adjustments to fully fund positions and fixed cost and inflationary increases • \$0.7 million to upgrade and maintain information technology systems • \$0.4 million for continuation of 1.00 FTE funded from a one-time appropriation in the 2013 biennium and for 1.00 new information technology FTE • \$0.2 million for market pay adjustments in the 2015 biennium
♦	The one-time \$8.4 million general fund appropriation provides about 40% of the funds needed to continue the Insure Montana program through the 2015 biennium and is offset by a reduction in state special revenue support for the program
♦	Total cost increases are partially offset by a net of \$0.9 million in state special revenue reductions for the Insure Montana program and by \$0.2 million in additional vacancy savings

Summary of Legislative Action

The legislative 2015 biennium appropriation is \$2.3 million higher than the 2013 biennium largely due to a combination of approval of requests from the Commissioner of Securities and Insurance (CSI) and some offsetting reductions in present law proposals. The legislature provided one-time funding from the general fund, insurance fee state special revenue, and the health and Medicaid initiative state special revenue account to continue the Insure Montana program for two years. The executive budget had eliminated the program effective January 1, 2014 in anticipation of the startup of insurance exchanges and due to a significant shortfall in the health and Medicaid initiatives state special revenue account that historically supported the program. Since the general fund was used to cover a shortfall in state special revenue, there was not an overall increase in funding due to this legislative decision. Other significant changes approved by the legislature are listed in the Major Budget Highlights table and discussed in greater detail in the division appropriation narratives.

Boilerplate

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 3.03 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$8,410,035	\$0	\$58,177,683	\$66,587,718	68.8%
State Special Total	30,136,336	-	27,500	30,163,836	31.2%
Federal Special Total	-	-	-	-	0.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$38,546,371</u>	<u>\$0</u>	<u>\$58,205,183</u>	<u>\$96,751,554</u>	
Percent - Total All Sources	39.8%	0.0%	60.2%		

The State Auditor's Office is funded from general fund and state special revenue. General fund is appropriated on a one-time basis to continue funding for the Insure Montana program for the 2015 biennium.

State special revenue sources are:

- Fees paid by insurance companies and security firms for insurance and security oversight
- Tobacco tax revenues from the health and Medicaid initiatives account for Insure Montana
- Tobacco settlement funds the state high risk pool (Montana Comprehensive Health Association)

Some of the fee revenue collected by the office is transferred to the general fund via a statutory appropriation, while revenue remaining in selected state special revenue accounts is transferred to the general fund at fiscal yearend.

The SAO received some federal grant funds that are not ongoing in the 2015 biennium.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	18,073,434	18,073,434	36,146,868	93.7
Statewide PL Adjustments	0	0	0	0.00%	417,122	382,547	799,669	2.0
Other PL Adjustments	0	0	0	0.00%	774,641	787,128	1,561,769	4.0
New Proposals	1,646,660	6,763,375	8,410,035	100.00%	146,057	(107,992)	38,065	0.1
Total Budget	\$1,646,660	\$6,763,375	\$8,410,035		\$19,411,254	\$19,135,117	\$38,546,371	

The majority of the legislative budget supports continuation of present law services. New proposals, including the addition of general fund to continue the Insure Montana program, contribute less than 1% of the total 2015 biennium budget. The increase in the general fund support for the Insure Montana program is offset by reductions in state special revenue, netting to less than \$40,000 in total funds over the biennium.

Other Legislation

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 48 – This bill requires eligibility for premium assistance provided by the Insure Montana program to be based on household income rather than an individual employee's salary and limits premium assistance to households earning no more than 400% of the federal poverty level (about \$94,000 for a family of 4 in 2013).

HB 81 – This bill provides for a temporary diversion of 4.5% from securities fees collected by the CSI. The bill directed that a portion of securities fees be deposited in a securities restitution assistance fund rather than the general fund. Money from the state special revenue fund is statutorily appropriated to pay compensation to victims of securities fraud. It is estimated that the allocation will provide about \$272,500 each year of the 2015 biennium. The fund terminates June 30, 2017.

HB 87 – This bill requires insurers to file health insurance rates with the State Auditor's Office and provide documentation supporting the development of the rates. The CSI is required to review rate filings for each health insurance insurer and consider whether the proposed premium rate is excessive, inadequate, unjustified, or unfairly discriminatory and provide a notice of deficiencies if any are found to exist. The SAO will need to contract with actuaries to perform the duties prescribed in HB 87. The bill includes an appropriation of \$204,000 from insurance fee state special revenue each year of the biennium.

HB 250 – This bill requires the State Auditor to implement and manage a training and certification program for persons to become certified as a navigator on the new health insurance exchange that will be operational January 1, 2014. Persons must pay an application fee of \$100 to become certified and a biennial renewal fee of \$50 to maintain certification. The fiscal note for HB 250 estimated that fee revenue would be \$2,575 in FY 2014 and \$5,000 in FY 2015. The legislature did not appropriate additional funds to implement this bill.

SB 223 – This bill requires that the Montana Comprehensive Health Association (MCHA) board of directors develop a plan to terminate the MCHA due to changes in the federal Affordable Care Act that will allow for coverage on the federal individual health insurance exchange. Individuals who currently participate in MCHA due to inability to obtain health insurance in the private market will be eligible for coverage in the federal exchange. Additionally, low income individuals will have access to premium and co-pay assistance. The termination plan is subject to the review and approval of the CSI and to the review of the Interim Committee on Economic Affairs. The fiscal note for SB 223 anticipates that the MCA will need the full appropriation in FY 2014 (\$946,455) and most of the FY 2015 appropriation to pay incurred but not reported insurance claims. The fiscal note estimated that \$325,000 of the \$943,696 FY 2015 appropriation would not be expended.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	85.80	83.80	87.80	4.00	79.80	87.80	8.00	
Estimated Impact of HB 2*			(3.03)	(3.03)		(3.03)	(3.03)	
Net Estimated FTE*			84.77	0.97		84.77	4.97	
Personal Services	5,163,890	5,414,590	5,814,197	399,607	5,214,565	5,788,266	573,701	973,308
Operating Expenses	2,452,750	3,504,568	3,583,604	79,036	3,628,028	3,333,398	(294,630)	(215,594)
Equipment & Intangible Assets	8,695	7,994	8,695	701	7,994	8,695	701	1,402
Benefits & Claims	10,448,099	5,686,832	10,004,758	4,317,926	925,563	10,004,758	9,079,195	13,397,121
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$18,073,434	\$14,613,984	\$19,411,254	\$4,797,270	\$9,776,150	\$19,135,117	\$9,358,967	\$14,156,237
General Fund	0	0	1,646,660	1,646,660	0	6,763,375	6,763,375	8,410,035
State/Other Special	18,073,434	14,613,984	17,764,594	3,150,610	9,776,150	12,371,742	2,595,592	5,746,202
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$18,073,434	\$14,613,984	\$19,411,254	\$4,797,270	\$9,776,150	\$19,135,117	\$9,358,967	\$14,156,237

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The 2015 biennium legislative appropriation is \$14.2 million higher, including funding for 8.00 FTE in FY 2015, than the executive budget request primarily due to approval for one-time appropriations to continue funding for the Insure Montana program through the 2015 biennium. The executive budget removed funding for the program effective January 1, 2014. Other changes net to very little difference between the executive request and legislative appropriation.

Historically the Insure Montana program has been funded from tobacco tax deposited in the health and Medicaid initiatives state special revenue account. However, the ongoing appropriations from the account exceed ongoing revenues. In addition, the impact that the implementation of the Patient Protection and Affordable Care Act (ACA) will have on the Insure Montana program is uncertain. Therefore, the legislature opted to continue funding for Insure Montana for another biennium to evaluate the effect of ACA during the next session, and appropriated general fund to do so since the state special revenue account did not have sufficient revenue.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	16.80	16.80	17.80	17.80	16.80	17.80	1.00	5.95%
Personal Services	1,002,552	1,013,391	1,106,925	1,106,918	2,015,943	2,213,843	197,900	9.82%
Operating Expenses	213,439	204,282	750,285	492,710	417,721	1,242,995	825,274	197.57%
Equipment & Intangible Assets	1,683	2,800	1,683	1,683	4,483	3,366	(1,117)	(24.92%)
Total Costs	\$1,217,674	\$1,220,473	\$1,858,893	\$1,601,311	\$2,438,147	\$3,460,204	\$1,022,057	41.92%
State Special	1,217,674	1,220,473	1,858,893	1,601,311	2,438,147	3,460,204	1,022,057	41.92%
Total Funds	\$1,217,674	\$1,220,473	\$1,858,893	\$1,601,311	\$2,438,147	\$3,460,204	\$1,022,057	41.92%

Program Description

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office. The division also provides support to the Commissioner in fulfilling the duties as a member of the Land Board and Crop Hail Insurance Board.

Program Highlights

Centralized Services Division Major Budget Highlights	
♦	The Central Management Division 2015 biennium appropriation is about \$1.0 million higher than the 2013 biennium
♦	The legislature approved the State Auditor's requests for: <ul style="list-style-type: none"> • \$727,000 state special revenue to upgrade and maintain computer systems • \$184,000 for an information technology manager position • \$68,000 state special revenue for training for information technology and financial staff
♦	Increases are partially offset by an additional 2% vacancy savings of about \$220,000 that can be allocated across all programs

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget - Central Management							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$3,460,204	\$0	\$0	\$3,460,204	100.0%		
02235 Insurance Fee Account	\$2,797,606	\$0	\$0	\$2,797,606	80.9%		
02283 Securities Fee Account	\$662,598	\$0	\$0	\$662,598	19.1%		
Total All Funds	\$3,460,204	\$0	\$0	\$3,460,204	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Central Management function is funded entirely by state special revenue from fees paid by insurance companies and security firms.

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,217,674	1,217,674	2,435,348	70.38%
Statewide PL Adjustments	0	0	0	0.00%	125,992	118,186	244,178	7.06%
Other PL Adjustments	0	0	0	0.00%	33,915	38,188	72,103	2.08%
New Proposals	0	0	0	0.00%	481,312	227,263	708,575	20.48%
Total Budget	\$0	\$0	\$0		\$1,858,893	\$1,601,311	\$3,460,204	

The majority of the 2015 biennium appropriation funds continuation of present law services. New proposals fund budget increases requested by the Office of the State Auditor for information technology (IT) systems replacement, an IT manager FTE, and pay adjustments implemented in FY 2013 to move most positions to 85% of the market midpoint.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					153,554					153,853
Vacancy Savings					(41,808)					(41,818)
Inflation/Deflation					4					56
Fixed Costs					14,242					6,095
Total Statewide Present Law Adjustments										
		\$0	\$125,992	\$0	\$125,992		\$0	\$118,186	\$0	\$118,186
DP 50 - Initial Motion to FY 2012 Base										
	0.00	0	(125,992)	0	(125,992)	0.00	0	(118,186)	0	(118,186)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	0	111,746	0	111,746	0.00	0	112,035	0	112,035
DP 52 - Adjustment for Statewide Operations										
	0.00	0	14,246	0	14,246	0.00	0	6,151	0	6,151
DP 1001 - Rent										
	0.00	0	0	0	0	0.00	0	4,273	0	4,273
DP 1004 - Elected Official Continuing Ed Central Management										
	0.00	0	33,915	0	33,915	0.00	0	33,915	0	33,915
Total Other Present Law Adjustments										
	0.00	\$0	\$33,915	\$0	\$33,915	0.00	\$0	\$38,188	\$0	\$38,188
Grand Total All Present Law Adjustments										
	0.00	\$0	\$159,907	\$0	\$159,907	0.00	\$0	\$156,374	\$0	\$156,374

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 1001 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

DP 1004 - Elected Official Continuing Ed Central Management - The legislature approved the CSI request for an appropriation to fund continuing education for employees. The appropriation is restricted and one-time only.

New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
01	0.00	0	(110,069)	0	(110,069)	0.00	0	(110,218)	0	(110,218)
DP 1005 - Elected Official - IT Systems Replacement										
01	0.00	0	490,646	0	490,646	0.00	0	236,746	0	236,746
DP 1006 - Elected Official - Market Adjustments										
01	0.00	0	8,735	0	8,735	0.00	0	8,735	0	8,735
DP 1010 - Elected Official - IT Manager										
01	1.00	0	92,000	0	92,000	1.00	0	92,000	0	92,000
Total	1.00	\$0	\$481,312	\$0	\$481,312	1.00	\$0	\$227,263	\$0	\$227,263

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 1005 - Elected Official - IT Systems Replacement - The legislature approved the CSI request for funds to replace the central application and scanning systems used to support insurance and securities regulation. The funding supports replacement of equipment and implementation of new software. The appropriation includes both ongoing and one-time costs. The ongoing portion of the appropriation is about \$237,000 annually.

DP 1006 - Elected Official - Market Adjustments - The legislature approved funding for pay adjustments implemented in FY 2013 by the State Auditor to bring most staff up to 85% of the market midpoint. The adjustments are funded from a combination of insurance and security fee state special revenue.

DP 1010 - Elected Official - IT Manager - The legislature approved the State Auditor's request for funding for an information technology manager. The position is funded from state special revenue from insurance and securities fees.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Central Management includes a reduction in state special revenue of \$110,069 in fiscal year 2014 and \$110,218 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	58.00	58.00	58.00	58.00	58.00	58.00	0.00	0.00%
Personal Services	3,542,103	3,528,621	3,852,295	3,826,496	7,070,724	7,678,791	608,067	8.60%
Operating Expenses	2,032,708	1,786,288	2,551,587	2,561,539	3,818,996	5,113,126	1,294,130	33.89%
Equipment & Intangible Assets	5,810	9,057	5,810	5,810	14,867	11,620	(3,247)	(21.84%)
Benefits & Claims	10,448,099	10,678,166	10,004,758	10,004,758	21,126,265	20,009,516	(1,116,749)	(5.29%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$16,028,720	\$16,002,132	\$16,414,450	\$16,398,603	\$32,030,852	\$32,813,053	\$782,201	2.44%
General Fund	0	0	1,646,660	6,763,375	0	8,410,035	8,410,035	n/a
State Special	16,028,720	16,002,132	14,767,790	9,635,228	32,030,852	24,403,018	(7,627,834)	(23.81%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$16,028,720	\$16,002,132	\$16,414,450	\$16,398,603	\$32,030,852	\$32,813,053	\$782,201	2.44%

Program Description

The Insurance Division regulates the insurance industry in Montana. The Policyholder Services Unit is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. Also housed in this bureau is the Captive Insurance program, which promotes and regulates captive insurers in the state. Captive insurance companies (captives) are formed and wholly owned by the businesses, associations, and groups that they insure. Captives are formed as risk management tools and as alternatives to the traditional insurance market. Captive insurers domiciled in Montana provide insurance to rural hospitals, nursing homes, doctors, commercial trucking companies, contractors, and others. The legislature passed enacting legislation in 2001.

The Rates Bureau and the Forms Bureau are responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code. The Licensing Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters. The Insure Montana Bureau administers the Small Business Health Insurance Purchasing Pool and the Tax Credit program. The Legal Unit, which serves both the Insurance and Securities Divisions, provides legal support to the divisions. The Investigations unit, which is under the Legal Unit, reviews code and rule violations, including possible criminal violations, and recommends referral of cases to county attorneys for prosecution.

Program Highlights

Insurance Division Major Budget Highlights	
◆	The Insurance Division 2015 biennium budget is about \$782,000 greater than the 2013 biennium due to: <ul style="list-style-type: none"> • \$672,000 for financial and market conduct examinations of insurance companies as statutorily required • \$279,000 for statewide present law adjustments to fully fund positions and for fixed cost and inflationary increases • \$190,000 for pay increases granted in FY 2013 to move pay for most positions up to 85% of the market midpoint • \$125,000 for an additional FTE for supervision and regulation of captive insurance companies, which was approved as a one-time appropriation
◆	A \$8.4 million one-time general fund appropriation continues the Insure Montana program for the 2015 biennium, but is about \$887,000 less than the shortfall in state special revenue funding for the program

Program Narrative

The Insurance Division 2015 biennium budget is about \$780,000 greater than the 2013 biennium budget and major changes are noted in the Highlights Table. The most significant legislative decision was to add one-time funding to continue the Insure Montana program. The Governor's budget eliminated Insure Montana due to insufficient funds in the health and Medicaid initiatives state special revenue account and the belief that implementation of the Affordable Care Act and the health insurance exchange effective January 1, 2014 would take the place of the program.

The legislature concluded that employees could not purchase health insurance on the individual health insurance exchange if insurance continued to be offered through their employer and it was affordable, meaning that a policy for the employee only cost less than 9.5% of household income. Due to these considerations and other changes in the insurance market, the legislature opted to continue the program for another biennium. The legislature added \$8.4 million general fund and \$6.0 million in insurance fee state special revenue to offset the reduction in health and Medicaid state special revenue that has traditionally funded the program. The 2015 Legislature would need to add funds to continue Insure Montana in the 2017 biennium since it is funded from one-time appropriations.

Appropriation increases are partially offset by an \$887,000 reduction in the total appropriated for the Insure Montana program compared to the 2013 biennium budget.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget - Insurance							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$8,410,035	\$0	\$0	\$8,410,035	25.6%		
State Special Total	\$24,403,018	\$0	\$0	\$24,403,018	74.4%		
02235 Insurance Fee Account	\$17,034,258	\$0	\$0	\$17,034,258	51.9%		
02528 Captive Account	\$358,137	\$0	\$0	\$358,137	1.1%		
02770 Health Insurance Tax Credits	\$1,498,190	\$0	\$0	\$1,498,190	4.6%		
02789 6901-chip/mcha Tobacco Sett Fd	\$1,890,151	\$0	\$0	\$1,890,151	5.8%		
Total All Funds	\$32,813,053	\$0	\$0	\$32,813,053	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Insurance Division is funded with primarily with state special revenue. A one-time appropriation of \$8.4 million general fund supports continuation of the Insure Montana program through the end of the 2015 biennium.

State special revenue sources support the following functions:

- Insurance licensure fees, examination fees, and penalties, which fund program functions related to insurance regulation, including a one-time \$6.0 million appropriation to continue the Insure Montana program through FY 2015
- Health and Medicaid initiatives (tobacco taxes), which fund the Insure Montana program
- Tobacco settlement revenues, which support premium subsidies for the state high risk insurance pool through the Montana Comprehensive Health Association (MCHA)

Montana Comprehensive Health Association

The Montana Legislature created the MCHA in 1985 to provide access to health insurance benefits to Montana residents who were otherwise considered uninsurable due to medical conditions. MCHA operations are funded through the premiums paid by those insured in the program and through assessments on all disability (accident and health) benefit policies written in the state of Montana. MCHA also receives an allocation from the tobacco settlement revenue - about \$925,000 in FY 2012. The legislature passed SB 223, which requires development and approval of a plan to terminate MCHA since persons receiving insurance through MCHA will be eligible to purchase insurance through the individual health insurance exchanges that will be implemented January 1, 2014. Low income individuals will be eligible for premium and co pay assistance through the exchanges.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	16,028,720	16,028,720	32,057,440	97.70%
Statewide PL Adjustments	0	0	0	0.00%	150,102	128,948	279,050	0.85%
Other PL Adjustments	0	0	0	0.00%	583,615	588,922	1,172,537	3.57%
New Proposals	1,646,660	6,763,375	8,410,035	100.00%	(347,987)	(347,987)	(695,974)	(2.12%)
Total Budget	\$1,646,660	\$6,763,375	\$8,410,035		\$16,414,450	\$16,398,603	\$32,813,053	

The majority of funds support base budget costs. A new proposal to continue Insure Montana through the end of the 2015 biennium is partly funded from a one-time appropriation of general fund and insurance state special revenue.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
Fiscal 2014					Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				245,798					252,827
Vacancy Savings				(151,513)					(151,801)
Inflation/Deflation				985					2,210
Fixed Costs				54,832					25,712
Total Statewide Present Law Adjustments									
	\$0	\$150,102	\$0	\$150,102		\$0	\$128,948	\$0	\$128,948
DP 50 - Initial Motion to FY 2012 Base	0.00	(150,102)	0	(150,102)	0.00	0	(128,948)	0	(128,948)
DP 51 - Adjustment for Statewide Personal Services	0.00	94,285	0	94,285	0.00	0	101,026	0	101,026
DP 52 - Adjustment for Statewide Operations	0.00	55,817	0	55,817	0.00	0	27,922	0	27,922
DP 3004 - Actuarial Review	0.00	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 3005 - Traditional Insurance In-House Exams (RST/OTO)	0.00	10,185	0	10,185	0.00	0	10,185	0	10,185
DP 3006 - Elected Official - Captive Insurance FTE (OTO)	0.00	64,736	0	64,736	0.00	0	60,091	0	60,091
DP 3007 - In-House Captives Insurance Exams	0.00	16,890	0	16,890	0.00	0	16,890	0	16,890
DP 3008 - Captive Regulatory and Supervision (RST/OTO)	0.00	85,000	0	85,000	0.00	0	95,000	0	95,000
DP 3009 - Biennial Financial Exams (BIENNIAL/RST/OTO)	0.00	186,604	0	186,604	0.00	0	186,604	0	186,604
DP 3010 - Elected Official-Cont. Ed Market Conduct (RST/OTO)	0.00	18,800	0	18,800	0.00	0	11,900	0	11,900
DP 3011 - In-house Market Conduct Exams (RST/OTO)	0.00	26,400	0	26,400	0.00	0	18,500	0	18,500
DP 3012 - Biennial Market Conduct Exams (BIENNIAL/RST/OTO)	0.00	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 3013 - Rent	0.00	0	0	0	0.00	0	14,752	0	14,752
Total Other Present Law Adjustments									
	0.00	\$0	\$583,615	\$0	0.00	\$0	\$588,922	\$0	\$588,922
Grand Total All Present Law Adjustments									
	0.00	\$0	\$733,717	\$0	0.00	\$0	\$717,870	\$0	\$717,870

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 3004 - Actuarial Review - This appropriation funds the implementation of HB 334 passed by the 2011 Legislature, which requires the financial and compliance audit and rate review of the State Fund. The CSI must report any concerns or recommendations based on the review to the Governor, the Legislative Audit Committee, and the Economic Affairs Interim Committee (EAIC).

This is a new responsibility, but the legislature did not allocate any additional funds or FTE for the actuarial review of the rates and reserves. The agency currently employs one full time property and casualty actuary, but due to the

position's heavy workload, the CSI actuary is unable to conduct the review as required by the law. Estimates obtained for the reviews are about \$75,000 to contract with an independent actuary to review the rates and reserves of the State Fund. For the 2012 report to the EAIC, the CSI contracted with an independent consulting actuary to do the actuarial reviews, but the CSI contractor could only conduct a partial review due to the limited funds available. Base expenditures were \$10,000.

DP 3005 - Traditional Insurance In-House Exams (RST/OTO) - The legislature added insurance license fee state special revenue each fiscal year for insurance examinations by division staff. This funding will support 3 farm mutual exams, which will require 2 examiners. Additionally, for contracted exams it may be necessary for the examiner supervising contract examiners to make periodic field visits.

The appropriation also funds training to ensure examiners are accredited for performing exams. This request supports 3 employees' attendance at the National Association of Insurance Commissioners (NAIC) Financial summit and the Society of Financial Examiners (SOFE) and 1 employee attendance at 3 NAIC national meetings and 2 other NAIC related trainings.

The appropriation is restricted for these uses and was designated as one-time.

DP 3006 - Elected Official - Captive Insurance FTE (OTO) - The legislature approved the CSI's request to fund an FTE for administration of the captive insurance program as a one-time appropriation. The FTE was approved based on a projected increase in the number of captive insurance companies in Montana.

DP 3007 - In-House Captives Insurance Exams - The legislature appropriated insurance premium tax state special revenue for examination of captive firms performed by division staff. The cost of the exam is reimbursed by the companies being examined. Base level expenditures totaled \$3,410.

In each year of the 2015 biennium, 20 pure captive exams and 4 risk retention group exams will be completed. Each risk retention group exam requires a two week period of travel by an in-house examiner. For the pure exams, funds support 5 week long trips out of state and 10 in-state, week long trips.

DP 3008 - Captive Regulatory and Supervision (RST/OTO) - This appropriation funds promotion and administration of the captive insurance industry. This program is funded with 5% of the premium tax and all fees and assessments received by the commissioner. The appropriation is restricted and one-time only.

DP 3009 - Biennial Financial Exams (BIENNIAL/RST/OTO) - The legislature approved a biennial, restricted, one-time appropriation for examination of insurance companies. These expenditures are reimbursed by the companies examined.

According to MCA 33-1-401, "The commissioner shall examine the affairs, transactions, accounts, records, and assets of each authorized insurer as often as the commissioner considers advisable. The commissioner shall examine each authorized insurer not less frequently than every 5 years."

DP 3010 - Elected Official-Cont. Ed Market Conduct (RST/OTO) - The legislature approved the CSI request for an appropriation to fund continuing education for employees who perform market conduct examinations of insurance companies. The appropriation is restricted and one-time only.

DP 3011 - In-house Market Conduct Exams (RST/OTO) - The legislature approved a restricted, one-time appropriation for increased costs of in-house expenses related to market conduct exams during the 2015 biennium.

DP 3012 - Biennial Market Conduct Exams (BIENNIAL/RST/OTO) - The legislature appropriated insurance fee state special revenue for contracted services to perform insurance company market conduct examinations. The cost of the exam is billed to the companies being examined. This adjustment funds anticipated cost increases, is restricted, and authorized for the 2015 biennium only.

DP 3013 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3016 - Elected Official Market Adjustment										
03	0.00	0	95,354	0	95,354	0.00	0	95,354	0	95,354
DP 30140 - Insure Montana Bridge (RST/OTO)										
03	0.00	1,646,660	(2,090,001)	0	(443,341)	0.00	6,763,375	(7,206,716)	0	(443,341)
Total	0.00	\$1,646,660	(\$1,994,647)	\$0	(\$347,987)	0.00	\$6,763,375	(\$7,111,362)	\$0	(\$347,987)

DP 3016 - Elected Official Market Adjustment - The legislature approved funding for pay adjustments implemented in FY 2013 by the CSI to bring most staff up to 85% of the market midpoint. The adjustments are funded from a combination of insurance and security fee state special revenue.

DP 30140 - Insure Montana Bridge (RST/OTO) - The State Auditor's Office operates the Insure Montana program, which offers health insurance premium subsidies and tax credits to employers offering health insurance to employees. This adjustment removes Insure Montana from the base budget and funds it as a one-time-only, restricted, biennial appropriation from three sources:

- \$8,410,035 general fund
- \$6,000,000 insurance fee state special revenue
- \$5,120,473 state special revenue from tobacco taxes allocated to the health and Medicaid Initiatives account

The net impact of the new proposal lowers the existing appropriation for the program by \$433,341 each year. The appropriation amount was determined based on changes enacted in HB 48. HB 48 requires eligibility for premium assistance to be based on household income rather than an individual employee's salary and limits premium assistance to households earning no more than 400% of the federal poverty level (about \$94,000 for a family of 4 in 2013).

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	11.00	11.00	12.00	12.00	11.00	12.00	1.00	9.09%
Personal Services	619,235	686,408	854,977	854,852	1,305,643	1,709,829	404,186	30.96%
Operating Expenses	206,603	265,996	281,732	279,149	472,599	560,881	88,282	18.68%
Equipment & Intangible Assets	1,202	1,894	1,202	1,202	3,096	2,404	(692)	(22.35%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$827,040	\$954,298	\$1,137,911	\$1,135,203	\$1,781,338	\$2,273,114	\$491,776	27.61%
State Special	827,040	954,298	1,137,911	1,135,203	1,781,338	2,273,114	491,776	27.61%
Total Funds	\$827,040	\$954,298	\$1,137,911	\$1,135,203	\$1,781,338	\$2,273,114	\$491,776	27.61%

Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, investment adviser representatives and multi-level marketing companies. The division is also responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$100 million. The division investigates securities code and rule violations, including possible criminal violations, takes appropriate administrative action, and refers criminal cases to either federal authorities or county attorneys for prosecution.

Program Highlights

Securities Division Major Budget Highlights	
♦	The 2015 biennium appropriation is about \$500,000 greater than the 2013 biennium due primarily to: <ul style="list-style-type: none"> • Continuation of funding for an FTE that was supported by a one-time appropriation removed from the 2013 biennium budget • Increases in contracted services to examine securities firms in accordance with 30-10-304, MCA

Program Narrative

The 2015 biennium Securities Division appropriation increases about \$500,000 over the 2013 biennium, including funding to continue an FTE funded from a one-time appropriation. Budget increases are due to:

- Fully funding positions
- Continued funding for 1.00 FTE originally funded from a one-time appropriation that was removed from base budget expenditures
- Pay increases granted during the 2013 biennium
- Contracted services for examinations of security firms

The legislature passed HB 81, which provides for a temporary diversion of 4.5% from securities fees collected by the CSI. The bill directed that a portion of securities fees be deposited in a securities restitution assistance fund rather than the general fund. Money from the state special revenue fund is statutorily appropriated to pay compensation to victims of securities fraud.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget - Securities							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$2,273,114	\$0	\$27,500	\$2,300,614	100.0%		
02091 Security Restitution Fund	\$0	\$0	\$27,500	\$27,500	1.2%	30-10-100	Pass Thru
02283 Securities Fee Account	\$2,273,114	\$0	\$0	\$2,273,114	98.8%		
Total All Funds	\$2,273,114	\$0	\$27,500	\$2,300,614	100.0%		
Percent - Total All Sources	98.8%	0.0%	1.2%				

The Securities Division is funded entirely from state special revenue derived from charges to the securities industry for:

- Filing portfolio notices
- Examining issuers, broker-dealers, or investment advisers as part of registration

Other fees related to the securities industry and collected by the SAO, such as registration of securities, are deposited to the general fund. Excess revenue in the state special revenue account that funds program administration is transferred to the general fund at fiscal yearend.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	827,040	827,040	1,654,080	72.77%
Statewide PL Adjustments	0	0	0	0.00%	141,028	135,413	276,441	12.16%
Other PL Adjustments	0	0	0	0.00%	157,111	160,018	317,129	13.95%
New Proposals	0	0	0	0.00%	12,732	12,732	25,464	1.12%
Total Budget	\$0	\$0	\$0		\$1,137,911	\$1,135,203	\$2,273,114	

The majority of the 2015 biennium budget supports continuation of current level services.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				162,152					162,175	
Vacancy Savings				(31,253)					(31,256)	
Inflation/Deflation				38					220	
Fixed Costs				10,091					4,274	
Total Statewide Present Law Adjustments	\$0	\$141,028	\$0	\$141,028		\$0	\$135,413	\$0	\$135,413	
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(141,028)	0	(141,028)	0.00	0	(135,413)	0	(135,413)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	130,899	0	130,899	0.00	0	130,919	0	130,919
DP 52 - Adjustment for Statewide Operations	0.00	0	10,129	0	10,129	0.00	0	4,494	0	4,494
DP 4002 - Biennial Contract Exams (BIENNIAL/RST)	0.00	0	65,000	0	65,000	0.00	0	65,000	0	65,000
DP 4003 - Securities Division Legal FTE	1.00	0	92,111	0	92,111	1.00	0	91,966	0	91,966
DP 4004 - Rent	0.00	0	0	0	0	0.00	0	3,052	0	3,052
Total Other Present Law Adjustments	1.00	\$0	\$157,111	\$0	\$157,111	1.00	\$0	\$160,018	\$0	\$160,018
Grand Total All Present Law Adjustments	1.00	\$0	\$298,139	\$0	\$298,139	1.00	\$0	\$295,431	\$0	\$295,431

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 4002 - Biennial Contract Exams (BIENNIAL/RST) - This adjustment adds \$65,000 each fiscal year to contract for examination of broker-dealer firms, broker-dealer firm branch offices, and investment advisor firms. The costs of these exams are reimbursed by the company being examined.

This funding will support 15 examinations of broker-dealer and investment advisory firms annually. On average, an examination involves about 30 hours of field work and 90 hours of analysis.

DP 4003 - Securities Division Legal FTE - This appropriation funds continuation of a legal FTE supported from a one-time appropriation in the last legislative session. The funding for the FTE was made ongoing.

DP 4004 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

New Proposals

New Proposals		Fiscal 2014				Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4006 - Elected Official Market Adjustments										
04	0.00	0	12,732	0	12,732	0.00	0	12,732	0	12,732
Total	0.00	\$0	\$12,732	\$0	\$12,732	0.00	\$0	\$12,732	\$0	\$12,732

DP 4006 - Elected Official Market Adjustments - The legislature approved funding for pay adjustments implemented in FY 2013 by the State Auditor to bring most staff up to 85% of the market midpoint. The adjustments are supported by state special revenue from security fees.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	659.28	659.28	675.28	675.28	659.28	675.28	16.00	2.43%
Estimated Impact of HB 2*			(27.43)	(27.43)		(27.43)	(27.43)	
Net Estimated FTE*			647.85	647.85		647.85	(11.43)	
Personal Services	36,246,957	36,629,023	37,802,731	37,709,956	72,875,980	75,512,687	2,636,707	3.62%
Operating Expenses	15,200,024	14,788,745	16,294,499	16,000,853	29,988,769	32,295,352	2,306,583	7.69%
Equipment & Intangible Assets	143,765	330,978	79,646	55,604	474,743	135,250	(339,493)	(71.51%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	0	31,925	31,925	0	63,850	63,850	n/a
Total Costs	\$51,590,746	\$51,748,746	\$54,208,801	\$53,798,338	\$103,339,492	\$108,007,139	\$4,667,647	4.52%
General Fund	47,663,801	47,756,729	49,784,214	49,598,991	95,420,530	99,383,205	3,962,675	4.15%
State Special	1,015,571	1,028,900	1,152,311	1,152,725	2,044,471	2,305,036	260,565	12.74%
Federal Special	256,608	271,218	248,447	247,312	527,826	495,759	(32,067)	(6.08%)
Other	2,654,766	2,691,899	3,023,829	2,799,310	5,346,665	5,823,139	476,474	8.91%
Total Funds	\$51,590,746	\$51,748,746	\$54,208,801	\$53,798,338	\$103,339,492	\$108,007,139	\$4,667,647	4.52%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Mission Statement: The quality of life for all Montanans is better because we excel at public service and effective administration of the tax and liquor laws. We do this by ensuring that revenues intended by the legislature to be raised are collected to serve Montanans, advancing equity and integrity in taxation, providing innovative and respectful service, protecting the public health and safety and achieving efficiency in liquor administration, and improving public understanding of Montana's revenue system.

The Department of Revenue collects revenue from and enforces regulations for 38 Montana taxes and fees to achieve equity and integrity, while protecting taxpayer rights and information; values all property as accurately as possible and supervises Montana's property tax system; administers liquor laws to protect public health and safety; receives abandoned property and seeks to return it to its rightful Montana owners; administers unlocatable mineral trusts; informs and advises the Governor, the legislature, and the public on tax trends and issues; and cooperates with local, state, tribal, and federal governments to advance the public interest under the law.

The Department of Revenues is comprised of the following programs:

- Director's Office supports the agency's director and is composed of the following four functional units:
 - Legal Services supervises the overall legal efforts of the department, which includes rules, policies, bankruptcy, disclosure officer, and the Office of Dispute Resolution
 - Tax, Policy and Research is responsible for the preparation of legislative fiscal notes that affect revenue, the analysis of legislative proposals affecting the department, and department economic data and tax compliance analysis
 - Human Resources manages the personnel activities of the department - the office includes three functional units for human resources, payroll and benefits, and education and training
 - Executive Office provides budget analysis, public relations, and administrative support for the department
- Information Management and Technology Division has two main functions:
 - Provides application development and support services, as well as network services in the areas of data, desktop, information security, and help desk support
 - Processes tax returns and payments for the department and for state agencies
- Liquor Control Division administers the state's alcoholic beverage code, which governs the control, sale, and distribution of alcoholic beverages. The division includes liquor distribution and liquor licensing

- Citizen Services and Resource Management Division provides service to:
 - Montana citizens, businesses, and nonresident taxpayers through a call center, forms design, and other taxpayer services
 - Other divisions of the department in the areas of accounting, purchasing, and facilities and asset management
 - Administers the Unclaimed Property Program to return unclaimed property (lost money and other properties) to its rightful owners
 - Collects delinquent state taxes
 - Collects bad debts for state and local agencies, courts, and the university system through a proprietary funded program
- Business and Income Taxes Division oversees audits and verifies compliance with Montana tax law for all state taxes and completes appraisals and assessments of industrial and centrally assessed property
- Property Assessment Division is responsible for the valuation and assessment of real and personal property throughout the state for property tax purposes

Agency Highlights

Department of Revenue Major Budget Highlights	
◆	The budget for the department increases by 4.5% due to four primary adjustments: <ul style="list-style-type: none"> • The addition of 16.00 FTE and related operating expenses, including \$225,000 (OTO) for postage required during the upcoming property tax reappraisal cycle • The elimination of \$190,000 from language appropriation and its inclusion as standard HB 2 appropriation, with no change in total costs • \$259,687 in rent increases in county property assessment offices • \$1.0 million increase in GenTax maintenance and development costs
◆	These increases are partially offset with the adoption of an additional 2% vacancy savings

Summary of Legislative Action

The legislature approved a budget for the Department of Revenue (DOR) with a total funds increase of 4.5% over the 2013 biennium. The most significant change in the budget is the addition of 16.00 FTE, which includes:

- 4.00 FTE in the Information Management and Technology Division
- 2.00 FTE in the Liquor Control Division
- 5.00 FTE in the Business and Income Taxes Division (temporary and modified made permanent)
- 5.00 FTE in the Property Assessment Division (one-time-only)

The personal services cost for the 16 FTE is \$2.7 million. Personal service increases are partially offset by an additional 2% vacancy savings, imposed by the legislature, providing savings in the DOR of \$1.5 million over the biennium. The vacancy savings reductions are established in the Director's Office and the Business and Income Taxes programs and language allows DOR to allocate the reductions across programs as needed. The tables included in this report do not contain the personal service cost impacts of HB 13, the employee pay plan. The legislation provides a lump sum distribution for all executive branch agencies and allows the Governor's Office the discretion to allocate the appropriation with consideration of the provisions of the bill, so it is not known what the cost will be for DOR. For more information on HB 13, see the "Other Legislation" section of this report.

The legislature also passed SB 410, which provides an appropriation of \$7.5 million to the Governor's Office. The appropriation may be distributed among certain agencies should budget shortfalls manifest. The DOR is included in the list of agencies that could receive added appropriations from the legislation. For more information on SB 410, see the "Other Legislation" section of this report.

Boilerplate

The boilerplate section in HB 2 includes the following language:

"It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium."

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 27.43 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Agency Discussion

The DOR administers the tax collection and compliance functions for most state taxes. Additionally, the department values all property in the state, regulates the sale and distribution of alcoholic beverages in the state, and administers the abandoned property program. To accomplish these activities, the department supports a staff of 375.28 FTE, costing 70.0% of the total budget. The largest cost change in the DOR budget is the addition of 17.00 FTE, which the legislature approved to achieve the following goals:

- Enabling additional E-filing
- Reducing temporary staffing needs at the liquor warehouse
- Continuing tobacco tax and unclaimed property compliance activities
- Providing staff for the upcoming appraisal cycle

Information technology (IT) is another significant cost driver in DOR, impacting most aspects of the department's work product. In the 2015 biennium, HB 2 budget included two of the department's IT initiatives. The first initiative, with a cost of \$1.0 million, increases the budget for maintenance associated with the functional expansion of the GENTAX system. This funding will allow the department to maintain the system at the necessary level of support and maintenance. The legislature also provided \$44,400 in appropriations for a "web-based portal for one-stop licensing". The system upgrade will provide a variety of online and electronic services for citizens, local governments, and the state. These services include functionality that ensure the security and accuracy of the data resulting in better service and timely tax collections. Another agency IT initiative that addresses issues related to the security of the department's electronic data is included in HB 10, the Long-Range Information Technology Program bill. The appropriation of \$2.0 million appropriated to the Department of Administration and co-administered by DOR will be used to prevent potential security gaps in state IT systems and networks, to eliminate access to confidential information kept in the system.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$99,653,333	\$0	\$234,511,665	\$334,164,998	58.2%
State Special Total	2,305,036	-	231,264,506	233,569,542	40.7%
Federal Special Total	495,759	-	-	495,759	0.1%
Proprietary Total	5,823,139	368,700	-	6,191,839	1.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$108,277,267</u>	<u>\$368,700</u>	<u>\$465,776,171</u>	<u>\$574,422,138</u>	
Percent - Total All Sources	18.8%	0.1%	81.1%		

The department is primarily funded with general fund. Proprietary funds support the operation of the Liquor Control Division and other divisions that support liquor control functions or the staff of the Liquor Control Division. State special revenue supports:

- Tobacco tax compliance activities under the Tobacco Master Settlement Agreement
- Appraisal, assessment, and taxation processes
- Administration of the unclaimed property program
- Administrative costs associated with billing and collecting hail insurance premiums and livestock per capita fees, noting that with the passage of SB 162, DOR will only receive hail insurance premiums fees through January 1, 2014 (see "Other Legislation" section for more information on SB 162)

State special revenue from the property valuation improvement fund is used for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. Federal special revenue supports federal mineral royalty audits.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	47,663,801	47,663,801	95,327,602	95.92%	51,590,746	51,590,746	103,181,492	95.53
Statewide PL Adjustments	1,005,558	823,183	1,828,741	1.84%	1,034,660	847,754	1,882,414	1.74
Other PL Adjustments	558,251	610,121	1,168,372	1.18%	1,078,060	909,255	1,987,315	1.84
New Proposals	556,604	501,886	1,058,490	1.07%	505,335	450,583	955,918	0.89
Total Budget	\$49,784,214	\$49,598,991	\$99,383,205		\$54,208,801	\$53,798,338	\$108,007,139	

Other Legislation

HB 10 – This legislation provides an appropriation of \$2 million of general fund for the Department of Administration (DOA) to expand and enhance measures to address potential security gaps in state information technology systems and networks and to prevent hackers from gaining access to confidential information. The project will be jointly administered by the department and the DOA.

HB 13 - The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but

stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 19 – This legislation revises several provisions relating to interest and penalties for late tax payments, late filing, not filing a return, and filing a false return. The implementation of this legislation for changes to the penalty and interest calculations in the department's data processing system would be done by the vendor or by department employees, at a cost estimated by the department at \$24,600 in each year of the 2015 biennium. Funding for these costs was not included in HB 2. This legislation was vetoed by the Governor and at the time of this writing a veto override poll has been sent to legislators.

HB 66 – This legislation would allow the department to issue a notice of levy for collection of delinquent taxes and receive a levy against state tax refunds electronically. The costs of implementing electronic notification are estimated by the department to be \$24,600 in each year of the biennium. Funding for these costs was not included in HB 2.

HB 402 – This legislation creates a direct shipment endorsement for wineries licensed or registered, creates sell and shipment limitations for personal use, and eliminates certain connoisseur's licenses. Implementation costs were estimated by the department to be \$24,600 in FY 2014 for modifications to the computer system, adding a direct shipment endorsement attributed to both foreign and domestic winery accounts, modifying existing forms and letters for both foreign and domestic winery accounts, verifying payment processing and revenue accounting, and system implementation costs. Funding for this cost was not included in HB 2.

HB 509 – This legislation directs the collection of 9-1-1 fees and the remittance of quarterly collections for deposit in the 9-1-1 accounts. The bill also provides compensation for the collection of the fees. The department estimated that implementation of this legislation would increase contracted services costs by \$33,000 for processing and programming modifications and form changes in the department's integrated tax system in FY 2014. Funding for this cost was not included in HB 2. This legislation was vetoed by the Governor and at the time of this writing a veto override poll has been sent to legislators.

HB 524 – This legislation will expand the number of retail licensees selling beer or wine for off-premise consumption. The department estimated that implementation of these changes would require 1.00 FTE to process the increase in applications and renewals, with total personal service and operating costs of \$60,522 in FY 2014 (includes $\frac{3}{4}$ year FTE and one-time-only operating costs) and \$57,578 in FY 2015. Funding for these costs was not included in HB 2.

SB 96 – This legislation reduces the taxes assessed on class eight business equipment and provides reimbursements to the university system, local governments, local schools, and tax increment financing districts (TIFs) for reductions in property tax revenue. The department estimated costs of implementing this legislation in the property assessment system as \$16,405 in FY 2014. Funding for this cost was not included in HB 2.

SB 117 – This legislation expands the Family Education Savings Account exemption to include deposits to out-of-state accounts. The department estimated implementation costs of \$32,000 in FY 2014 for form development and changes to the data capture and processing systems. Funding for this cost was not included in HB 2.

SB 162 – This legislation transfers the administrative responsibilities of collecting hail insurance fees from the DOR to the Department of Agriculture. There are costs to the department with this transition. However, the department will no longer be entitled to the 2% of the fees collected for administering the program, reducing state special revenues to the department. While the department will no longer receive the fee revenue, the administrative costs of the department will be eliminated. The impacts of this legislation were not included in HB 2.

SB 280 – This legislation allows owners of property to enter into mediation with the department. The department estimated implementation of this legislation would have operating expenses of \$21,916 in FY 2014 and \$92,488 in FY 2015. Funding for these costs were not included in HB 2.

SB 410 –This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	659.28	679.28	675.28	(4.00)	679.28	675.28	(4.00)	
Estimated Impact of HB 2*			(27.43)	(27.43)		(27.43)	(27.43)	
Net Estimated FTE*			647.85	(31.43)		647.85	(31.43)	
Personal Services	36,246,957	38,587,736	37,802,731	(785,005)	38,685,265	37,709,956	(975,309)	(1,760,314)
Operating Expenses	15,200,024	16,405,769	16,294,499	(111,270)	16,080,258	16,000,853	(79,405)	(190,675)
Equipment & Intangible Assets	143,765	79,646	79,646	0	55,604	55,604	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	31,925	31,925	0	31,925	31,925	0	0
Total Costs	\$51,590,746	\$55,105,076	\$54,208,801	(\$896,275)	\$54,853,052	\$53,798,338	(\$1,054,714)	(\$1,950,989)
General Fund	47,663,801	50,818,750	49,784,214	(1,034,536)	50,601,932	49,598,991	(1,002,941)	(2,037,477)
State/Other Special	1,015,571	1,160,893	1,152,311	(8,582)	1,161,312	1,152,725	(8,587)	(17,169)
Federal Special	256,608	252,611	248,447	(4,164)	251,479	247,312	(4,167)	(8,331)
Proprietary	2,654,766	2,872,822	3,023,829	151,007	2,838,329	2,799,310	(39,019)	111,988
Total Funds	\$51,590,746	\$55,105,076	\$54,208,801	(\$896,275)	\$54,853,052	\$53,798,338	(\$1,054,714)	(\$1,950,989)

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

Total funding in this agency is a net biennium reduction of \$2.0 million from the executive proposal in both total and general fund. The changes to the biennial budget include:

- Reduction of funding for 3.00 FTE from agency requests – (\$310,409)
- Reductions of a biennium total \$1.5 million with the adoption of an additional 2% vacancy savings
- Removal of two items from language appropriations for ongoing expenses in the Liquor Control Division and their inclusion in a standard appropriation - \$190,000 (does not increase actual costs)
- Fixed cost adjustments - \$1,425
- Rejection of the Professional Development Center request - (\$17,952)
- A reduction in the Director's Office was made by the legislature to fund a pilot project for the review active exempt property records in the Property Assessment Division (the reduction to the Director's Office included the elimination of a one-time-only FTE request, \$163,656, and a reduction from the base budget, \$106,472). Funding for the pilot project was subsequently vetoed by the Governor creating a budget reduction – (\$270,128)

Language and Statutory Authority

The legislature included the following language in HB 2.

"Director's Office includes a reduction in general fund of \$720,405 in fiscal year 2014 and \$720,965 in fiscal year 2015, state special revenue of \$8,582 in fiscal year 2014 and \$8,587 in fiscal year 2015, and proprietary funds of \$38,523 in fiscal year 2014 and \$38,549 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

"Business and Income Taxes Division includes a reduction in federal special revenue of \$4,164 in fiscal year 2014 and \$4,167 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	49.48	49.48	49.48	49.48	49.48	49.48	0.00	0.00%
Personal Services	3,795,101	3,834,541	3,149,512	3,223,130	7,629,642	6,372,642	(1,257,000)	(16.48%)
Operating Expenses	1,916,159	1,715,098	1,830,912	1,667,705	3,631,257	3,498,617	(132,640)	(3.65%)
Total Costs	\$5,711,260	\$5,549,639	\$4,980,424	\$4,890,835	\$11,260,899	\$9,871,259	(\$1,389,640)	(12.34%)
General Fund	5,490,203	5,326,317	4,798,009	4,708,337	10,816,520	9,506,346	(1,310,174)	(12.11%)
State Special	106,257	107,607	105,554	105,384	213,864	210,938	(2,926)	(1.37%)
Federal Special	1,000	1,000	1,000	0	2,000	1,000	(1,000)	(50.00%)
Other	113,800	114,715	75,861	77,114	228,515	152,975	(75,540)	(33.06%)
Total Funds	\$5,711,260	\$5,549,639	\$4,980,424	\$4,890,835	\$11,260,899	\$9,871,259	(\$1,389,640)	(12.34%)

Program Description

The Director's Office is responsible for overall efficient and effective management of the department to support and ensure success of the revenue collections and property valuation responsibilities of the operating divisions. To achieve this, the Director's Office is composed of four primary sections.

The Executive Office is responsible for the general guidance and management of the agency. This office assists the director with administrative functions and communication to the public, other agencies, and elected officials and includes the Office of Taxpayer Assistance established by law.

The Legal Services Office is responsible for the overall legal efforts of the department including legal representation before various courts, legislation development and review, filing bankruptcy claims, and developing policy and administrative rules. This office oversees the Security and Disclosure Office that is responsible for ensuring that all taxpayer information is secure. The office also oversees the Office of Dispute Resolution, established by law, which reviews, facilitates, and resolves taxpayer disputes internally through a variety of means including hearings and mediation.

Tax Policy and Research provides accurate and timely information for the director to advise the Governor, the legislature, and Montana citizens including the compilation of basic tax data and the publication of the Biennial Report and other documents; conducts tax, economic and compliance studies; prepares legislative fiscal notes that affect revenue; provides analysis of legislative proposals affecting the department; and provides department economic and compliance data analysis.

Human Resources and Organizational Development is responsible for the human resources, payroll and benefits, and education and training functions of the department.

Program Highlights

Directors Office	
Major Budget Highlights	
♦	The budget for the Directors Office budget is decreased by \$1.4 million primarily due to two factors: <ul style="list-style-type: none"> ▪ An additional 2% vacancy savings of \$1.5 million, with language that allows the division to allocate the vacancy savings across all divisions • A reduction that the legislature intended to support a pilot project in the Property Assessment Division, but was subsequently line-item vetoed by the Governor
♦	The added vacancy savings is partially offset by personal services statewide present law adjustment increases resulting from raises provided in FY 2012

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Directors Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$9,506,346	\$0	\$234,511,665	\$244,018,011	99.9%	15-1-121 15-1-218	Pass Thru Direct
State Special Total	\$210,938	\$0	\$0	\$210,938	0.1%		
02790 6901-statewide Tobacco Sttlmnt	\$210,938	\$0	\$0	\$210,938	0.1%		
Federal Special Total	\$1,000	\$0	\$0	\$1,000	0.0%		
03928 Royalty Audit - Nrct	\$1,000	\$0	\$0	\$1,000	0.0%		
Proprietary Total	\$152,975	\$0	\$0	\$152,975	0.1%		
06005 Liquor Division	\$152,975	\$0	\$0	\$152,975	0.1%		
Total All Funds	\$9,871,259	\$0	\$234,511,665	\$244,382,924	100.0%		
Percent - Total All Sources	4.0%	0.0%	96.0%				

Funding for the program comes primarily from the general fund. State special revenue from tobacco settlement funds supports the dedicated attorney that supports tobacco tax compliance activities. Federal mineral royalty audit special revenue funds a portion of the legislative audit fixed cost allocation for the agency. The proprietary funding is from a direct appropriation of the Liquor Control Division proprietary fund and is for the Liquor Control Division share of Director's Office support costs. The allocation is calculated as a percentage of the program's budget. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,490,203	5,490,203	10,980,406	115.51%	5,711,260	5,711,260	11,422,520	115.71%
Statewide PL Adjustments	201,553	24,230	225,783	2.38%	210,016	32,807	242,823	2.46%
Other PL Adjustments	(111,000)	(41,000)	(152,000)	(1.60%)	(111,000)	(41,000)	(152,000)	(1.54%)
New Proposals	(782,747)	(765,096)	(1,547,843)	(16.28%)	(829,852)	(812,232)	(1,642,084)	(16.64%)
Total Budget	\$4,798,009	\$4,708,337	\$9,506,346		\$4,980,424	\$4,890,835	\$9,871,259	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					285,135					289,511
Vacancy Savings					(163,213)					(163,381)
Inflation/Deflation					(5)					86
Fixed Costs					88,099					(93,409)
Total Statewide Present Law Adjustments		\$201,553	\$7,879	\$0	\$210,016*		\$24,230	\$7,714	(\$1,000)	\$32,807*
DP 50 - Initial Motion to FY 2012 Base	0.00	(201,553)	(7,879)	0	(210,016)*	0.00	(24,230)	(7,714)	1,000	(32,807)*
DP 51 - Adjustment for Statewide Personal Services	0.00	117,204	2,268	21	121,922*	0.00	121,248	2,347	22	126,130*
DP 52 - Adjustment for Statewide Operations	0.00	84,685	1,639	15	88,094*	0.00	(89,711)	(1,736)	(16)	(93,323)*
DP 53 - Base Funding Switch	0.00	(336)	3,972	(36)	0*	0.00	(7,307)	7,103	(1,006)	0*
DP 102 - Overtime Pay for Timely Fiscal Notes (OTO/RST)	0.00	0	0	0	0	0.00	70,000	0	0	70,000
DP 103 - Adjust for Operating Plan Change	0.00	(111,000)	0	0	(111,000)	0.00	(111,000)	0	0	(111,000)
Total Other Present Law Adjustments	0.00	(\$111,000)	\$0	\$0	(\$111,000)*	0.00	(\$41,000)	\$0	\$0	(\$41,000)*
Grand Total All Present Law Adjustments	0.00	\$90,553	\$7,879	\$0	\$99,016*	0.00	(\$16,770)	\$7,714	(\$1,000)	(\$8,193)*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 102 - Overtime Pay for Timely Fiscal Notes (OTO/RST) - The legislature approved a general fund appropriation for overtime in the Tax Policy and Research Office (TPR) to prepare fiscal notes for the 2015 Legislature. Funding is one-time-only and is restricted only for this purpose.

DP 103 - Adjust for Operating Plan Change - The legislature approved a reduction of general fund in the base budget. In the base year, the department moved personal services budget authority into the Director's Office operating expense budget to pay department expenditures. To maintain the base budget at the level appropriated by the last legislature, this amount was removed from the division's base budget.

New Proposals

New Proposals										
Fiscal 2014						Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
01	0.00	(720,406)	(8,582)	0	(767,511)*	0.00	(720,965)	(8,587)	0	(768,101)*
DP 104 - Review of Exempt Property Records (OTO/RST)										
01	0.00	(62,341)	0	0	(62,341)	0.00	(44,131)	0	0	(44,131)
Total	0.00	(\$782,747)	(\$8,582)	\$0	(\$829,852)*	0.00	(\$765,096)	(\$8,587)	\$0	(\$812,232)*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs. The federal funds portion of this additional vacancy savings is in DP 54 in the Business and Income Taxes Division.

DP 104 - Review of Exempt Property Records (OTO/RST) - This reduction in appropriations was included to partially fund a pilot project in the Property Assessment Division for the review of active exempt property records. The Governor made a line-item veto of the project in the Property Assessment Division, leaving only the reduction in this division.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	86.75	86.75	90.75	90.75	86.75	90.75	4.00	4.61%
Personal Services	4,481,208	4,347,984	4,921,722	4,928,267	8,829,192	9,849,989	1,020,797	11.56%
Operating Expenses	6,889,877	6,722,512	7,684,674	7,409,681	13,612,389	15,094,355	1,481,966	10.89%
Equipment & Intangible Assets	25,050	238,120	25,050	25,050	263,170	50,100	(213,070)	(80.96%)
Total Costs	\$11,396,135	\$11,308,616	\$12,631,446	\$12,362,998	\$22,704,751	\$24,994,444	\$2,289,693	10.08%
General Fund	11,134,395	11,046,759	12,252,915	11,989,905	22,181,154	24,242,820	2,061,666	9.29%
State Special	124,805	124,804	124,804	124,804	249,609	249,608	(1)	0.00%
Other	136,935	137,053	253,727	248,289	273,988	502,016	228,028	83.23%
Total Funds	\$11,396,135	\$11,308,616	\$12,631,446	\$12,362,998	\$22,704,751	\$24,994,444	\$2,289,693	10.08%

Program Description

The Information Management and Technology Division serves as the operational foundation for the department's business units. Refunds and other key services for taxpayers, tax compliance collections, valuation of property, and the certification of property values to local governments all depend on the operation of this division. The division's deposits of over \$1.7 billion dollars in annual taxpayer payments enhance the state's investment earnings and ensure the fiscal integrity of the state. These services are provided while ensuring the security and protection of confidential taxpayer information, facilitating the department's mission to serve the citizens of Montana in a fair and equitable manner.

Program Highlights

Information Management and Technology Division Major Budget Highlights	
◆	The \$2.3 million budget increase in this division is primarily due to: <ul style="list-style-type: none"> • 4.00 new FTE to expand electronic services for property and other taxes • Personal services statewide present law adjustments primarily from raises provided in FY 2012 • Vendor contracts and new information technology funding

Program Narrative

The legislature approved a budget increase of \$2.3 million, which primarily resulted from:

- The addition of 4.00 FTE with total costs of \$857,567 to expand electronic services for property taxes and other non-individual income taxes
 - Development and contracting costs, one-time-only, of \$304,790
 - Personal service costs of \$498,641
 - Ongoing operating expenses of \$54,136
- Statewide personal service present law adjustments, a net increase of \$388,932, which are driven by raises provided in the base year
- Funding of \$1.0 million for expanded vendor support maintenance activities for the GenTax system, because the system functionality has increased over time

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Information Management & Technology Div							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$24,242,820	\$0	\$0	\$24,242,820	97.0%		
State Special Total	\$249,608	\$0	\$0	\$249,608	1.0%		
02088 Ssr Administrative Funds	\$249,608	\$0	\$0	\$249,608	1.0%		
Proprietary Total	\$502,016	\$0	\$0	\$502,016	2.0%		
06005 Liquor Division	\$502,016	\$0	\$0	\$502,016	2.0%		
Total All Funds	\$24,994,444	\$0	\$0	\$24,994,444	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Information Management and Technology Division is primarily funded with general fund. State special revenue funds support of the administration of hail insurance premiums, the livestock per capita fee, and the lodging facilities tax. SB 162 redirects the administration of the hail insurance premiums to the Department of Agriculture beginning January 1, 2014. As a result, the division will no longer receive the administrative hail insurance premiums fees associated with its oversight. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Control Division share of division support costs. The allocation is a percentage of the program's budget. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	11,134,395	11,134,395	22,268,790	91.86%	11,396,135	11,396,135	22,792,270	91.19%
Statewide PL Adjustments	19,556	43,539	63,095	0.26%	136,347	154,892	291,239	1.17%
Other PL Adjustments	517,601	535,767	1,053,368	4.35%	517,601	535,767	1,053,368	4.21%
New Proposals	581,363	276,204	857,567	3.54%	581,363	276,204	857,567	3.43%
Total Budget	\$12,252,915	\$11,989,905	\$24,242,820		\$12,631,446	\$12,362,998	\$24,994,444	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				385,689					392,889	
Vacancy Savings				(194,680)					(194,966)	
Inflation/Deflation				20,669					37,478	
Fixed Costs				(75,331)					(80,509)	
Total Statewide Present Law Adjustments										
	\$19,556	(\$1)	\$0	\$136,347*		\$43,539	(\$1)	\$0	\$154,892*	
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(19,556)	1	0	(136,347)*	0.00	(43,539)	1	0	(154,892)*
DP 51 - Adjustment for Statewide Personal Services										
	0.00	186,622	2,092	0	191,009*	0.00	193,377	2,168	0	197,923*
DP 52 - Adjustment for Statewide Operations										
	0.00	(53,406)	(599)	0	(54,662)*	0.00	(42,043)	(471)	0	(43,031)*
DP 53 - Base Funding Switch										
	0.00	(113,660)	(1,494)	0	0*	0.00	(107,795)	(1,698)	0	0*
DP 201 - Ongoing System Mainten. and Support Increase (RST)										
	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 205 - Rent and Parking										
	0.00	17,601	0	0	17,601	0.00	35,767	0	0	35,767
Total Other Present Law Adjustments										
	0.00	\$517,601	\$0	\$0	\$517,601*	0.00	\$535,767	\$0	\$0	\$535,767*
Grand Total All Present Law Adjustments										
	0.00	\$537,157	(\$1)	\$0	\$653,948*	0.00	\$579,306	(\$1)	\$0	\$690,659*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 201 - Ongoing System Mainten. and Support Increase (RST) - The legislature approved an increase in general fund to support maintenance activities for the GenTax system. The increase will support increased costs of vendor maintenance. Funding was designated as restricted only for this purpose.

DP 205 - Rent and Parking - The legislature approved a general fund increase for the 2015 biennium to pay for contractual rent increases for existing lease obligations and increases in rates for downtown parking.

New Proposals

New Proposals		Fiscal 2014					Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 203 - Enhance E-Services for Property and State Taxes 02	4.00	581,363	0	0	581,363		4.00	276,204	0	0	276,204
Total	4.00	\$581,363	\$0	\$0	\$581,363		4.00	\$276,204	\$0	\$0	\$276,204

DP 203 - Enhance E-Services for Property and State Taxes - The legislature approved a general fund appropriation to expand electronic services for property taxes and other non-individual income taxes, while ensuring the security and accuracy of the data. This package will provide 4.00 FTE for the program. This decision package includes ongoing personal service costs and operating expenses. The legislature designated a portion of the operations costs, \$304,790 for the development of the E-services, as one-time-only.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	29.75	29.75	31.75	31.75	29.75	31.75	2.00	6.72%
Personal Services	1,667,801	1,805,120	2,031,730	1,842,737	3,472,921	3,874,467	401,546	11.56%
Operating Expenses	593,584	565,096	539,129	532,114	1,158,680	1,071,243	(87,437)	(7.55%)
Equipment & Intangible Assets	99,461	26,700	54,596	30,554	126,161	85,150	(41,011)	(32.51%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	0	31,925	31,925	0	63,850	63,850	n/a
Total Costs	\$2,360,846	\$2,396,916	\$2,657,380	\$2,437,330	\$4,757,762	\$5,094,710	\$336,948	7.08%
Other	2,360,846	2,396,916	2,657,380	2,437,330	4,757,762	5,094,710	336,948	7.08%
Total Funds	\$2,360,846	\$2,396,916	\$2,657,380	\$2,437,330	\$4,757,762	\$5,094,710	\$336,948	7.08%

Program Description

The Liquor Control Division provides effective and efficient administration of the Montana alcoholic beverage code with an emphasis on customer service and public safety. This is accomplished by applying uniform and fair regulations while ensuring an orderly system for the convenient distribution and responsible consumption of alcoholic beverages. The division consists of the Liquor Distribution Bureau, which maintains a regulated channel of distribution to fulfill the public demand for distilled spirits and fortified wine through agency liquor stores; and the Liquor Licensing Bureau, which protects the welfare and safety of the public by regulating liquor licensing laws in a uniform and fair manner.

Program Highlights

Liquor Control Division Major Budget Highlights	
♦	The Liquor Control Division is increased of 7.1% from the 2013 biennium budget, primarily due to: <ul style="list-style-type: none"> • The addition of 2.00 FTE for an increase in production capacity • Present law adjustments for personal services • Overtime and temporary employee costs
♦	All spending from the Liquor Control proprietary fund is an indirect use of general fund
♦	Language is included for the purchase and freight costs of liquor for the state

Program Narrative

The Liquor Control Division is a budgeted proprietary program. The program is budgeted by the legislature because profits from the operations of the program are deposited into the general fund. Consequently, expenditures of the program will impact the amount of profits available for transfer. In the 2015 biennium, the program budget increases by 7.8% from the 2013 biennium. Increases are primarily related to:

- The addition of 2.00 FTE at an overall (personal services and operating expense) cost of \$255,902
- Statewide present law personal service adjustments totaling \$134,461
- Approval of temporary services pay, overtime pay, and the provision of funding for retirement payouts with a cost of \$190,000, which are items not included in the base expenditures

The budget includes a language appropriation for up to \$254.0 million in the 2015 biennium for purchase of liquor and the associated freight costs, along with the administrative costs of the distribution of the profits and taxes. The full text of the appropriation may be seen in the "Language and Statutory Appropriation" section of this report.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Liquor Control Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$5,094,710	\$0	\$0	\$5,094,710	100.0%		
06005 Liquor Division	\$5,094,710	\$0	\$0	\$5,094,710	100.0%		
Total All Funds	\$5,094,710	\$0	\$0	\$5,094,710	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division is funded with a direct appropriation of Liquor Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues. Consequently, any proposals funded through this program are an indirect use of state general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	2,360,846	2,360,846	4,721,692	92.68%
Statewide PL Adjustments	0	0	0	0.00%	65,219	65,427	130,646	2.56%
Other PL Adjustments	0	0	0	0.00%	231,315	11,057	242,372	4.76%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$2,657,380	\$2,437,330	\$5,094,710	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
Fiscal 2014					Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				138,920					140,130
Vacancy Savings				(72,271)					(72,318)
Inflation/Deflation				902					1,799
Fixed Costs				(2,332)					(4,184)
Total Statewide Present Law Adjustments									
	\$0	\$0	\$0	\$65,219*		\$0	\$0	\$0	\$65,427*
DP 50 - Initial Motion to FY 2012 Base									
0.00	0	0	0	(65,219)*	0.00	0	0	0	(65,427)*
DP 51 - Adjustment for Statewide Personal Services									
0.00	0	0	0	66,649*	0.00	0	0	0	67,812*
DP 52 - Adjustment for Statewide Operations									
0.00	0	0	0	(1,430)*	0.00	0	0	0	(2,385)*
DP 301 - Production Capacity Increase									
2.00	0	0	0	143,080*	2.00	0	0	0	112,822*
DP 304 - Adjust for Operating Plan Change									
0.00	0	0	0	(101,765)*	0.00	0	0	0	(101,765)*
DP 305 - Personal Services-Termination Payout (BIEN/RST)									
0.00	0	0	0	60,000*	0.00	0	0	0	0
DP 306 - Personal Services-Temp and Overtime (BIEN/RST)									
0.00	0	0	0	130,000*	0.00	0	0	0	0
Total Other Present Law Adjustments									
2.00	\$0	\$0	\$0	\$231,315*	2.00	\$0	\$0	\$0	\$11,057*
Grand Total All Present Law Adjustments									
2.00	\$0	\$0	\$0	\$296,534*	2.00	\$0	\$0	\$0	\$76,484*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 301 - Production Capacity Increase - The legislature approved an increase in proprietary revenue to meet the growing liquor case volume demand. This appropriation funds the personal service and operating costs of 2.00 permanent FTE. In the base year FY 2012, temporary employees were used to meet the demand.

DP 304 - Adjust for Operating Plan Change - The legislature approved a reduction of base operating expenses for the 2015 biennium. In the base year FY 2012, the division moved personal services budget authority into the operating expense and equipment budget to pay for expenditures. To maintain the base budget at the appropriated level, this amount was removed from the base budget.

DP 305 - Personal Services-Termination Payout (BIEN/RST) - The legislature approved funding for payouts of accrued leave balances in the event of staff terminations. Funding was designated biennial and restricted to be used only for this purpose.

DP 306 - Personal Services-Temp and Overtime (BIEN/RST) - The legislature approved funding for overtime pay and costs to hire additional temporary employees to maintain statutory service levels to agency liquor stores in the event that demand increases. Funding was designated biennial and restricted to be used only for this purpose.

Language and Statutory Authority

The legislature approved the following language for inclusion in HB 2.

"Liquor Control Division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in the amounts not to exceed \$124 million in fiscal year 2014 and \$130 million in fiscal year 2015."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	53.50	53.50	53.50	53.50	53.50	53.50	0.00	0.00%
Personal Services	2,764,229	2,841,483	2,871,996	2,871,907	5,605,712	5,743,903	138,191	2.47%
Operating Expenses	765,677	817,160	814,160	785,843	1,582,837	1,600,003	17,166	1.08%
Equipment & Intangible Assets	19,254	0	0	0	19,254	0	(19,254)	(100.00%)
Total Costs	\$3,549,160	\$3,658,643	\$3,686,156	\$3,657,750	\$7,207,803	\$7,343,906	\$136,103	1.89%
General Fund	3,318,565	3,428,167	3,437,457	3,409,050	6,746,732	6,846,507	99,775	1.48%
State Special	187,410	187,261	211,838	212,123	374,671	423,961	49,290	13.16%
Other	43,185	43,215	36,861	36,577	86,400	73,438	(12,962)	(15.00%)
Total Funds	\$3,549,160	\$3,658,643	\$3,686,156	\$3,657,750	\$7,207,803	\$7,343,906	\$136,103	1.89%

Program Description

The Citizen Services and Resource Management Division focuses on providing services to citizens, including the advancement of free electronic filing, and support services to the other divisions of the department. The division integrates the department's accounting, purchasing, safety and security, and statewide facility functions through the Financial and Asset Management Bureau. This bureau ensures state tax collections and department expenses are properly accounted for, supports the efficient and safe operation of department facilities, and conducts disaster and emergency preparedness and continuity of government activities. The division's Citizen Services Bureau assists taxpayers by answering questions through the department's call center, coordinates the one-stop business licensing program to create efficiencies and reduced costs to businesses, returns unclaimed property that has been remitted to the state to the rightful owners, and strives to create tax forms and instructions that are thorough and understandable. The Accounts Receivable and Collection Bureau establishes payment plans or initiates collections using legal actions to resolve delinquent tax liabilities. They provide collection services to other state and local agencies for recovery of bad debts. The bureau includes the Bankruptcy Unit responsible for filing and recoveries of debt through bankruptcy proceedings.

Program Highlights

Citizen Services & Resource Management Major Budget Highlights	
♦	The budget for the 2015 biennium will increase by 1.9% from the 2013 biennium budget primarily due to statewide present law adjustments for personal services
♦	Operating expenses include the development and maintenance of web-based business licensing
♦	The legislature approved a 5% fee on successful collections in the proprietary Collections Services Program

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Citizen Services & Resource Mgmt							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$6,846,507	\$0	\$0	\$6,846,507	2.9%		
State Special Total	\$423,961	\$0	\$231,254,506	\$231,678,467	96.9%		
02008 Tobacco And Cig. Tribal Agree.	\$0	\$0	\$9,520,274	\$9,520,274	4.0%	18-11-112	Pass Thru
02025 Unclaimed Property	\$307,864	\$0	\$0	\$307,864	0.1%		
02083 Oil & Gas Local Assistance	\$0	\$0	\$10,000,000	\$10,000,000	4.2%	15-37-117	Pass Thru
02088 Ssr Administrative Funds	\$116,097	\$0	\$0	\$116,097	0.0%		
02168 Mt Oil Production Tax	\$0	\$0	\$197,054,000	\$197,054,000	82.5%	15-36-332	Pass Thru
02169 Bentonite Production Tax	\$0	\$0	\$4,800,000	\$4,800,000	2.0%	15-39-110	Pass Thru
02511 Oil, Gas, And Coal Natural Res	\$0	\$0	\$9,000,000	\$9,000,000	3.8%	15-36-332	Pass Thru
02966 Tribal Agreement - Alcohol	\$0	\$0	\$880,232	\$880,232	0.4%	18-11-112	Pass Thru
Proprietary Total	\$73,438	\$368,700	\$0	\$442,138	0.2%		
06005 Liquor Division	\$73,438	\$0	\$0	\$73,438	0.0%		
06554 Csc Collection Services	\$0	\$368,700	\$0	\$368,700	0.2%		
Total All Funds	\$7,343,906	\$368,700	\$231,254,506	\$238,967,112	100.0%		
Percent - Total All Sources	3.1%	0.2%	96.8%				

In HB 2, the Citizen Services and Resource Management Division is funded primarily by the general fund. State special revenue funds the division's administration of hail insurance premiums and livestock per capita fee, and for support of the unclaimed property program. SB 162 redirects the administration of the hail insurance premiums to the Department of Agriculture beginning January 1, 2014. As a result, the division will no longer receive the administrative hail insurance premiums fees associated with its oversight. The finances of the Collections Services Program are not shown in the HB 2 tables because it is funded with proprietary funds. The Collections Services Program is discussed in the Proprietary Rates section. As seen in the figure above, the Citizen Services and Resource Management program is also responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,318,565	3,318,565	6,637,130	96.94%	3,549,160	3,549,160	7,098,320	96.66%
Statewide PL Adjustments	105,246	98,239	203,485	2.97%	123,350	116,344	239,694	3.26%
Other PL Adjustments	13,646	(7,754)	5,892	0.09%	13,646	(7,754)	5,892	0.08%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$3,437,457	\$3,409,050	\$6,846,507		\$3,686,156	\$3,657,750	\$7,343,906	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					227,432					227,344
Vacancy Savings					(119,665)					(119,666)
Inflation/Deflation					86					159
Fixed Costs					15,497					8,507
Total Statewide Present Law Adjustments										
		\$105,246	\$24,428	\$0	\$123,350*		\$98,239	\$24,713	\$0	\$116,344*
DP 50 - Initial Motion to FY 2012 Base	0.00	(105,246)	(24,428)	0	(123,350)*	0.00	(98,239)	(24,713)	0	(116,344)*
DP 51 - Adjustment for Statewide Personal Services	0.00	100,766	5,690	0	107,767*	0.00	100,682	5,686	0	107,678*
DP 52 - Adjustment for Statewide Operations	0.00	14,570	823	0	15,583*	0.00	8,104	457	0	8,666*
DP 53 - Base Funding Switch	0.00	(10,090)	17,915	0	0*	0.00	(10,547)	18,570	0	0*
DP 501 - Web-Based App Portal-1-Stop Licensing (RST)	0.00	32,900	0	0	Oper	0.00	11,500	0	0	11,500
DP 502 - Adjust for Operating Plan Change	0.00	(19,254)	0	0	(19,254)	0.00	(19,254)	0	0	(19,254)
Total Other Present Law Adjustments										
	0.00	\$13,646	\$0	\$0	\$13,646*	0.00	(\$7,754)	\$0	\$0	(\$7,754)*
Grand Total All Present Law Adjustments										
	0.00	\$118,892	\$24,428	\$0	\$136,996*	0.00	\$90,485	\$24,713	\$0	\$108,590*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 501 - Web-Based App Portal-1-Stop Licensing (RST) - The legislature approved an increase in general fund appropriation authority to fund the development and maintenance of a secure web-based application that will allow businesses to apply for licenses in coordination with the internet application One-Stop Licensing Program. \$21,400 of the funding in FY 2014 is designated as one time only and the funding is restricted only for this purpose.

DP 502 - Adjust for Operating Plan Change - The legislature approved a reduction in the general funded equipment budgetary base. In FY 2012 the division utilized budget authority to invest in an upgraded telephone. To maintain the base budget at the level appropriated by the last legislature, this amount was removed from the division's base budget.

Proprietary Rates**Proprietary Program Description**

Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA.

The department established the Collections Services Program to administer its statutory responsibilities under Title 17, chapter 4, MCA. There are 3.50 FTE allocated to this program. This program supports the centralized debt collection function for the state of Montana.

Proprietary Revenues and Expenses

Expenses

Significant costs for the program are for:

- Personal services for 3.50 FTE, \$316,331 or 85.7% of total costs for the biennium
- Operating costs are \$52,609 with 51.4% of these costs due to:
 - Fixed cost items (rent, insurance, SABHRS fees, etc.), \$17,048
 - Postage and mailing costs, \$10,005

Revenues

The revenues for the program are derived through commissions made on successful collections. In the 2015 biennium, total revenues are estimated to be \$150,000 per fiscal year.

Proprietary Rate Explanation

The legislature approved a maximum commission rate of 5% for the 2015 biennium. Exempted from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	133.45	133.45	138.45	138.45	133.45	138.45	5.00	3.75%
Personal Services	8,139,328	7,978,456	8,274,916	8,279,297	16,117,784	16,554,213	436,429	2.71%
Operating Expenses	1,313,986	1,517,250	1,497,682	1,472,324	2,831,236	2,970,006	138,770	4.90%
Total Costs	\$9,453,314	\$9,495,706	\$9,772,598	\$9,751,621	\$18,949,020	\$19,524,219	\$575,199	3.04%
General Fund	8,653,778	8,680,288	8,868,207	8,847,066	17,334,066	17,715,273	381,207	2.20%
State Special	543,928	545,200	656,944	657,243	1,089,128	1,314,187	225,059	20.66%
Federal Special	255,608	270,218	247,447	247,312	525,826	494,759	(31,067)	(5.91%)
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$9,453,314	\$9,495,706	\$9,772,598	\$9,751,621	\$18,949,020	\$19,524,219	\$575,199	3.04%

Program Description

The Business and Income Taxes Division is responsible for ensuring that Montana citizens and businesses pay the appropriate amount of taxes. This is done by providing tax expertise and ensuring tax compliance for 38 of Montana's taxes and fees. The tax types include but are not limited to corporation license, natural resource, withholding, individual income, lodging facilities, cigarette, contractor's gross receipts, and telecommunications taxes. The tax types account for approximately \$1.5 billion of state revenue. The division also values all industrial and centrally assessed property in the state which generates over \$350 million in state and local revenue annually. Some of the duties associated with the division's tax administration responsibilities include: tax expertise, taxpayer education, auditing, identification of non-compliant taxpayers, property appraisals, and overall program management and compliance.

Program Highlights

Business and Income Taxes Division	
Major Budget Highlights	
♦	The increase in the Business and Income Taxes Division budget is primarily due to:
•	The addition of 5.00 FTE, which would replace temporary or modified positions with permanent positions in the Tobacco and Unclaimed Property Compliance Programs
♦	Operating expense increases are related to:
•	Increases in fixed costs
•	Funding for the increase cost of cigarette tax stamps
♦	Federal funds are reduced by an additional 2% vacancy savings

Program Narrative

The legislature approved the addition of 5.00 FTE for tax compliance purposes. The new FTE will cost \$576,571 in the 2015 biennium and are funded with state special revenue. The additional staff are not a new cost to the agency since the program has utilized temporary or modified staff for at least three biennia. The personal services budget is reduced by \$8,331 from the additional 2% vacancy savings attributed to federal special revenue.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Business And Income Taxes Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$17,715,273	\$0	\$0	\$17,715,273	90.7%		
State Special Total	\$1,314,187	\$0	\$10,000	\$1,324,187	6.8%		
02025 Unclaimed Property	\$622,613	\$0	\$0	\$622,613	3.2%		
02110 Accommodation Tax Admin	\$282,135	\$0	\$0	\$282,135	1.4%		
02293 Film Production Credit	\$0	\$0	\$10,000	\$10,000	0.1%	15-31-906 Direct	
02790 6901-statewide Tobacco Sttlmnt	\$409,439	\$0	\$0	\$409,439	2.1%		
Federal Special Total	\$494,759	\$0	\$0	\$494,759	2.5%		
03928 Royalty Audit - Nrct	\$494,759	\$0	\$0	\$494,759	2.5%		
Total All Funds	\$19,524,219	\$0	\$10,000	\$19,534,219	100.0%		
Percent - Total All Sources	99.9%	0.0%	0.1%				

The Business and Income Taxes Division is primarily funded with general fund, with some state special revenue and federal special revenue. State special revenue comes from the unclaimed property fund for program support and tobacco settlement funds that support tobacco tax compliance activities. Other state special revenue includes the accommodations tax and funds expenses for administering the tax. Federal special revenue comes from reimbursements for performing mineral royalty audits.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	8,653,778	8,653,778	17,307,556	97.70%	9,453,314	9,453,314	18,906,628	96.84%
Statewide PL Adjustments	211,311	190,170	401,481	2.27%	31,836	11,279	43,115	0.22%
Other PL Adjustments	0	0	0	0.00%	288,494	288,077	576,571	2.95%
New Proposals	3,118	3,118	6,236	0.04%	(1,046)	(1,049)	(2,095)	(0.01%)
Total Budget	\$8,868,207	\$8,847,066	\$17,715,273		\$9,772,598	\$9,751,621	\$19,524,219	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				189,449						194,445
Vacancy Savings				(333,157)						(333,352)
Inflation/Deflation				(2,042)						(1,296)
Fixed Costs				177,586						151,482
Total Statewide Present Law Adjustments										
	\$211,311	(\$175,478)	(\$3,997)	\$31,836		\$190,170	(\$174,762)	(\$4,129)	\$11,279	
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(211,311)	175,478	3,997	(31,836)	0.00	(190,170)	174,762	4,129	(11,279)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	(131,554)	(8,268)	(3,886)	(143,708)	0.00	(127,160)	(7,991)	(3,756)	(138,907)
DP 52 - Adjustment for Statewide Operations										
	0.00	160,696	10,101	4,747	175,544	0.00	137,484	8,641	4,061	150,186
DP 53 - Base Funding Switch										
	0.00	182,169	(177,311)	(4,858)	0	0.00	179,846	(175,412)	(4,434)	0
DP 701 - Tobacco Tax Compliance Program (RST)										
	3.00	0	179,876	0	179,876	3.00	0	179,609	0	179,609
DP 702 - Unclaimed Property Compliance Program (RST)										
	2.00	0	108,618	0	108,618	2.00	0	108,468	0	108,468
Total Other Present Law Adjustments										
	5.00	\$0	\$288,494	\$0	\$288,494	5.00	\$0	\$288,077	\$0	\$288,077
Grand Total All Present Law Adjustments										
	5.00	\$211,311	\$113,016	(\$3,997)	\$320,330	5.00	\$190,170	\$113,315	(\$4,129)	\$299,356

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 701 - Tobacco Tax Compliance Program (RST) - The legislature approved 3.00 permanent FTE in the 2015 biennium to continue the Tobacco Tax Compliance Program. Funding was designated as restricted only for this purpose.

DP 702 - Unclaimed Property Compliance Program (RST) - The legislature approved an increase in state special revenue appropriation authority and 2.00 FTE in the 2015 biennium due to the changing nature and workload increases of the Unclaimed Property Program. Funding was designated as restricted only for this purpose.

New Proposals

New Proposals		Fiscal 2014					Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings											
07	0.00	0	0	(4,164)	(4,164)	0.00	0	0	0	(4,167)	(4,167)
DP 704 - Funding the Purchase of Cigarette Tax Stamps											
07	0.00	3,118	0	0	3,118	0.00	3,118	0	0	0	3,118
Total	0.00	\$3,118	\$0	(\$4,164)	(\$1,046)	0.00	\$3,118	\$0	(\$4,167)	(\$1,049)	

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs. The general fund and state special revenue portion of the reduction is included in DP 54 in the Director's office.

DP 704 - Funding the Purchase of Cigarette Tax Stamps - The legislature approved an increase in general fund authority to fund a 40%, or \$0.30/1,000 stamps, increase in cigarette tax stamps. The appropriation increases general fund support of tax stamps.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	306.35	306.35	311.35	311.35	306.35	311.35	5.00	1.63%
Personal Services	15,399,290	15,821,439	16,552,855	16,564,618	31,220,729	33,117,473	1,896,744	6.08%
Operating Expenses	3,720,741	3,451,629	3,927,942	4,133,186	7,172,370	8,061,128	888,758	12.39%
Equipment & Intangible Assets	0	66,158	0	0	66,158	0	(66,158)	(100.00%)
Total Costs	\$19,120,031	\$19,339,226	\$20,480,797	\$20,697,804	\$38,459,257	\$41,178,601	\$2,719,344	7.07%
General Fund	19,066,860	19,275,198	20,427,626	20,644,633	38,342,058	41,072,259	2,730,201	7.12%
State Special	53,171	64,028	53,171	53,171	117,199	106,342	(10,857)	(9.26%)
Total Funds	\$19,120,031	\$19,339,226	\$20,480,797	\$20,697,804	\$38,459,257	\$41,178,601	\$2,719,344	7.07%

Program Description

The Property Assessment Division administers the state's real and personal property tax laws. It accomplishes this through uniform and equitable valuation and assessment regulations for residential, commercial, agricultural, forestland, and business equipment property. The division discovers, appraises, and assesses real and personal property for the local governing bodies that include about 1,200 levy districts and another 1,200 individual taxing jurisdictions. The division provides tax billing information to the local county treasurers for their generation of more than a half million tax bills and \$1 billion in taxes for all classes of property. The division consists of the Central Office Bureau and four regions. The Central Office Bureau provides technical and administrative support to the department's local office staff in each of the four regions. The department's local office staff provides the property taxpayers with information and assistance.

Program Highlights

Property Assessment Division Major Budget Highlights	
♦	Personal service costs increase by \$1.9 million or 6.1% primarily due to: <ul style="list-style-type: none"> • A one-time-only appropriation adding 5.00 FTE for workload increases related to the 2015 appraisal cycle • Raises given to staff in FY 2012 that drive the increase in statewide present law adjustments
♦	Operating expenses increase primarily due to: <ul style="list-style-type: none"> • Rent increases for the county offices, \$259,687 • Postage for property reappraisal notices, \$225,000

Program Narrative

The Property Assessment Division is gearing up for the next appraisal cycle, which will begin in FY 2015. For this reason, the legislature provided an additional 5.00 FTE for the division to accomplish the associated appraisal functions. The new FTE are provided on a one-time-only basis and will have a general fund personal services cost of \$1.4 million in the biennium. Operating costs associated with the 5.00 FTE are \$334,595 and include \$225,000 in FY 2015 to fund the postage on appraisal notices.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Property Assessment Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$41,072,259	\$0	\$0	\$41,072,259	99.7%		
State Special Total	\$106,342	\$0	\$0	\$106,342	0.3%		
02088 Ssr Administrative Funds	\$106,342	\$0	\$0	\$106,342	0.3%		
Total All Funds	\$41,178,601	\$0	\$0	\$41,178,601	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Funding for the Property Assessment Division is primarily from general fund, with state special support from the administration of hail insurance premiums and the livestock per capita fee. SB 162 redirects the administration of the hail insurance premiums to the Department of Agriculture beginning January 1, 2014. As a result, the division will no longer receive the administrative hail insurance premiums fees associated with its oversight.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	19,066,860	19,066,860	38,133,720	92.85%	19,120,031	19,120,031	38,240,062	92.86%
Statewide PL Adjustments	467,892	467,005	934,897	2.28%	467,892	467,005	934,897	2.27%
Other PL Adjustments	138,004	123,108	261,112	0.64%	138,004	123,108	261,112	0.63%
New Proposals	754,870	987,660	1,742,530	4.24%	754,870	987,660	1,742,530	4.23%
Total Budget	\$20,427,626	\$20,644,633	\$41,072,259		\$20,480,797	\$20,697,804	\$41,178,601	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,109,819					1,122,355
Vacancy Savings					(660,364)					(660,852)
Inflation/Deflation					(27,601)					(16,552)
Fixed Costs					46,038					22,054
Total Statewide Present Law Adjustments										
		\$467,892	\$0	\$0	\$467,892		\$467,005	\$0	\$0	\$467,005
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(467,892)	0	0	(467,892)	0.00	(467,005)	0	0	(467,005)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	448,205	1,250	0	449,455	0.00	460,220	1,283	0	461,503
DP 52 - Adjustment for Statewide Operations										
	0.00	19,041	51	0	19,092	0.00	6,257	15	0	6,272
DP 53 - Base Funding Switch										
	0.00	1,301	(1,301)	0	0	0.00	1,298	(1,298)	0	0
DP 801 - Rent										
	0.00	137,349	0	0	137,349	0.00	122,338	0	0	122,338
Total Other Present Law Adjustments										
	0.00	\$138,004	\$0	\$0	\$138,004	0.00	\$123,108	\$0	\$0	\$123,108
Grand Total All Present Law Adjustments										
	0.00	\$605,896	\$0	\$0	\$605,896	0.00	\$590,113	\$0	\$0	\$590,113

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee. The fixed cost changes related to this agency are reflected in this decision package.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 801 - Rent - The legislature approved a general fund appropriation in the 2015 biennium to pay for rent increases and building costs for division office space. Statute allows counties to charge rates for space in county facilities equal to the rental rates charged by the Department of Administration.

New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 802 - 6-Year Reappraisal Cycle Needs (OTO/RST)										
08	5.00	754,870	0	0	754,870	5.00	987,660	0	0	987,660
Total	5.00	\$754,870	\$0	\$0	\$754,870	5.00	\$987,660	\$0	\$0	\$987,660

DP 802 - 6-Year Reappraisal Cycle Needs (OTO/RST) - The legislature approved an increase in general fund and 5.00 temporary FTE for the 2015 required statewide appraisal cycle. The new FTE will address workload increases.

Additional personal services funds are provided to decrease the required vacancies during the reappraisal biennium and additional printing and postage monies will pay for the increase in assessment notices required during the reappraisal biennium. This appropriation is restricted and one-time-only.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	151.63	151.63	149.13	149.13	151.63	149.13	(2.50)	(1.65%)
Estimated Impact of HB 2*			(6.22)	(6.22)		(6.22)	(6.22)	
Net Estimated FTE*			142.91	142.91		142.91	(8.72)	
Personal Services	9,462,117	9,956,483	10,047,001	10,052,768	19,418,600	20,099,769	681,169	3.51%
Operating Expenses	9,343,096	9,109,048	8,026,411	7,801,103	18,452,144	15,827,514	(2,624,630)	(14.22%)
Equipment & Intangible Assets	19,500	42,077	19,500	19,500	61,577	39,000	(22,577)	(36.66%)
Local Assistance	32,228	42,206	32,228	32,228	74,434	64,456	(9,978)	(13.41%)
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	761,110	1,160,559	0	0	1,921,669	0	(1,921,669)	(100.00%)
Debt Service	122,027	85,827	89,977	89,977	207,854	179,954	(27,900)	(13.42%)
Total Costs	\$19,740,078	\$20,396,200	\$18,215,117	\$17,995,576	\$40,136,278	\$36,210,693	(\$3,925,585)	(9.78%)
General Fund	5,776,947	6,132,662	6,292,860	6,185,621	11,909,609	12,478,481	568,872	4.78%
State Special	6,430,943	6,883,075	5,978,176	5,976,271	13,314,018	11,954,447	(1,359,571)	(10.21%)
Federal Special	17,530	42,043	947,530	947,499	59,573	1,895,029	1,835,456	3,081.02%
Other	7,514,658	7,338,420	4,996,551	4,886,185	14,853,078	9,882,736	(4,970,342)	(33.46%)
Total Funds	\$19,740,078	\$20,396,200	\$18,215,117	\$17,995,576	\$40,136,278	\$36,210,693	(\$3,925,585)	(9.78%)

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Agency Mission - The Department of Administration's mission is to serve, satisfy, and support our customers.

The Department of Administration provides support services for state agencies in the following areas:

- Accounting, financial reporting, and warrant writing
- Audit review, enforcement and technical assistance for local governments
- State treasury services
- State-bonded indebtedness administration
- Capitol complex grounds and building maintenance and security
- Duplicating, mail, and messenger services
- Procurement and surplus property administration
- Information systems development, telecommunications, 9-1-1 program management, data processing, and public safety radio communications
- Human resource management, workforce development and labor relations
- State financial institution oversight and regulation
- Insurance coverage and risk management programs
- Tort Claims Act administration
- Long-Range Building Program
- State employee group benefits
- Workers compensation management

The following boards and commissions are attached to the department for administrative purposes only:

- Board of Examiners
- Burial Preservation Board
- Information Technology Board
- Public Defender Commission
- Public Employees' Retirement Board
- State Banking Board

- State Board of County Printing
- State Compensation Insurance Fund Board
- State Tax Appeal Board
- Teachers' Retirement System Board

Agency Highlights

Department of Administration Major Budget Highlights	
◆	About 4% of the agency's budget in appropriated in HB 2
◆	State special revenue declines are due to the transfer of responsibilities for the Montana Land Information Act to the Montana State Library
◆	Federal revenue increases by \$1.9 million for a FirstNet planning grant to the State Information Technology Services Division
◆	Proprietary funds decrease due to a change in the budgeting of lottery vendor fees. The legislature provided a statutory appropriation for the fees and eliminated the HB 2 appropriation
◆	The legislature increased insurance rates for general liability insurance as a result of a \$43.0 million court ordered settlement to victims of asbestos in Libby
◆	The legislature eliminated a number of vacant positions within various proprietary funds throughout the department

Agency Discussion

The Department of Administration sets statewide policies for and provides services to state agencies for accounting and treasury functions, human resources, group health insurance benefits, procurement, state tort defense and self-insurance, and information technology services. For most agencies in Helena, the agency serves as the landlord for state-owned buildings and provides for grounds maintenance. Generally, statewide policy functions are supported by general fund while the service functions are supported by proprietary funds derived by charging fees for services. The department also administers the following functions:

- Montana State Lottery
- Banking and financial institution oversight and regulation
- State Tax Appeal Board
- Architecture and engineering dealing with the administration of the state Long-range Building Program and the major maintenance and repair projects of state owned buildings

Summary of Legislative Action

The budget for the Department of Administration decreases \$3.9 million in 2015 biennium when compared to the 2013 biennium due to:

- Reduction of proprietary funding for the Montana State Lottery of \$5.8 million
- Transfer of the Montana Land Information Act responsibilities to the Montana State Library
- Additional federal authority provided for the FirstNet planning grant for public safety responders
- Statewide present law adjustments for personal services
- Additional vacancy savings of 2% applied to HB 2 positions

The legislature included the administrative costs of the State Employee Group Health Care Plan in HB 2 as required by statute. The Governor line item vetoed the appropriation including:

- Personal services funding of \$2.6 million supporting 19.64 FTE
- Operating expenses of \$12.2 million
 - \$4.7 million for consulting and professional services

- \$3.8 million for third party administrator fees for managed care plans

The Governor line item vetoed the funding prior to signing HB 2 stating that the state contribution to the plan is statutorily established and reviewed in the pay plan. The veto language also references language included in HB 2 that states:

Because state employee benefit plans require a large number of individual contributions for a variety of benefit options, because the portion of the contributions paid by the state is statutorily established in 2-18-703, and because the employee and retiree-paid portion of those contributions must be adjusted from time to time to meet the requirements of 2-18-812(1) to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines "rates and fees" for state employee programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward group benefits to meet the requirements of 2-18-812(1)

Neither the statutes referenced in the message nor the language shown above appear to address the requirement to include administrative costs for the SEGBP from temporary appropriations (included in HB 2).

Bill to Implement Provisions of HB 2

The legislature approved SB 410 to implement HB 2, including provisions to transfer the \$0.5 million of the central stores account fund balance to the general fund. The purpose of the transfer was in part to provide funding for the:

- Human Rights Bureau within the Department of Labor and Industry
- Traumatic brain injury services provided by the Department of Public Health and Human Services

Boilerplate

The boilerplate section in HB 2 includes the following language:

"It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium."

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 6.22 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,478,481	\$0	\$75,058,880	\$87,537,361	10.8%
State Special Total	11,954,447	-	50,329,752	62,284,199	7.7%
Federal Special Total	1,895,029	-	41,214,186	43,109,215	5.3%
Proprietary Total	9,882,736	538,408,836	69,489,296	617,780,868	76.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	779,052	779,052	0.1%
Total All Funds	\$36,210,693	\$538,408,836	\$236,871,166	\$811,490,695	
Percent - Total All Sources	4.5%	66.3%	29.2%		

Overall 93.7% of the funding for the Department of Administration is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as a statutory appropriation.

Within HB 2, general fund supports the Board of County Printing and the Burial Preservation Board, and provides partial support for the State Accounting Division, General Services Division including facilities maintenance functions for common areas, and the State Human Resources Division.

State special revenues include:

- Assessments, application fees, and examination fees paid by the regulated financial institutions
- Fees imposed on a per month per access line basis for each telephone subscriber in the state using either land lines or wireless services that support 911 services throughout Montana
- Funds transferred from the long-range building capital projects fund for administrative expenses in support of the state Long-Range Building Program

Proprietary funds in HB 2 are appropriated to the Montana State Lottery Division (lottery). Profits from the lottery are deposited into the state's general fund. As such, the legislature had made a policy decision to appropriate the funds for the lottery so that it can more closely examine the costs of its operations. The increased legislative oversight helps ensure the lottery continues to maximize general fund transfers.

The remaining proprietary funds, over half a billion, are non-budgeted. The legislature examined proposed rates for internal service funds in this agency as part of its consideration of HB 2. The internal service funds make up the majority of the proprietary funds in this agency. Proprietary funds are discussed in detail in the narrative sections of each program.

Statutory appropriations approved for the agency are discussed in detail in the narrative sections of the programs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,776,947	5,776,947	11,553,894	92.59%	19,740,078	19,740,078	39,480,156	109.03%
Statewide PL Adjustments	602,216	495,833	1,098,049	8.80%	1,132,809	915,434	2,048,243	5.66%
Other PL Adjustments	(4,155)	(4,962)	(9,117)	(0.07%)	462,957	460,639	923,596	2.55%
New Proposals	(82,148)	(82,197)	(164,345)	(1.32%)	(3,120,727)	(3,120,575)	(6,241,302)	(17.24%)
Total Budget	\$6,292,860	\$6,185,621	\$12,478,481		\$18,215,117	\$17,995,576	\$36,210,693	

Statewide present law adjustments provide for about 6% of the increases for the Department of Administration. About \$1.9 million of the increase is related to personal service adjustments and the remainder includes adjustments for fixed costs and inflation/deflation included in the operating expenses. Other present law adjustments include:

- Burial Board funding
- Increases for the Director's Office, which is assessed to the other divisions as department indirect costs
- One-time-only request for lottery terminals

New proposals provide for the majority of the changes in the budget for the Department of Administration. The legislature approved a request to transfer the responsibilities for the Montana Land Information Act to the Montana State Library. The legislature appropriated the administrative expenses of the SEGBP in HB 2 as required by statute and provided federal funds for the FirstNet Planning Grant. These are offset by reductions for additional vacancy savings and elimination of contract lottery fees from HB 2.

Other Legislation

HB 3 – The legislature provided \$13.4 million in general fund as a supplemental appropriation for the state's self-insurance fund. In FY 2012, the fund was used to pay \$26.8 million as part of a court ordered settlement with the victims of asbestos in Libby. The supplemental funding restores reserves for several of the insurance risks and reduces an unfunded liability for general liability insurance to an estimated (\$7.1) million at the end of the 2015 biennium.

HB 10 – The legislature appropriated \$6.0 million in long range information technology project funds to the Department of Administration. The funding provides for the following projects:

- Public safety communications system maintenance and operations - \$3.0 million
- Statewide data protection - \$2.0 million
- Electronic records management/electronic content management matching grants - \$1.0 million

In addition, the bill also provides DOA with \$350,000 in proprietary fund authority for a computerized maintenance management system.

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 20 – The legislature approved statutorily appropriating the costs for lottery vendor fees beginning in FY 2014. The legislature removed \$5.8 million in operating costs for the Montana State Lottery as a result of the change.

HB 38 – The legislature approved transferring the responsibilities for the Montana Land Information Act from the State Information Technology Services Division (SITSD) to the Montana State Library. As part of this change, the legislature also approved a reduction in HB 2 in funding for SITSD of \$1.9 million over the biennium including personal services that had supported 2.50 FTE.

SB 410 – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	151.63	149.13	149.13	0.00	149.13	149.13	0.00	
Estimated Impact of HB 2*			(6.22)	(6.22)		(6.22)	(6.22)	
Net Estimated FTE*			142.91	(6.22)		142.91	(6.22)	
Personal Services	9,462,117	10,172,697	10,047,001	(125,696)	10,178,582	10,052,768	(125,814)	(251,510)
Operating Expenses	9,343,096	10,146,647	8,026,411	(2,120,236)	9,921,337	7,801,103	(2,120,234)	(4,240,470)
Equipment & Intangible Assets	19,500	19,500	19,500	0	19,500	19,500	0	0
Local Assistance	32,228	32,228	32,228	0	32,228	32,228	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	761,110	0	0	0	0	0	0	0
Debt Service	122,027	89,977	89,977	0	89,977	89,977	0	0
Total Costs	\$19,740,078	\$20,461,049	\$18,215,117	(\$2,245,932)	\$20,241,624	\$17,995,576	(\$2,246,048)	(\$4,491,980)
General Fund	5,776,947	6,353,651	6,292,860	(60,791)	6,246,461	6,185,621	(60,840)	(121,631)
State/Other Special	6,430,943	6,072,276	5,978,176	(94,100)	6,070,416	5,976,271	(94,145)	(188,245)
Federal Special	17,530	17,530	947,530	930,000	17,500	947,499	929,999	1,859,999
Capital Projects	0	0	0	0	0	0	0	0
Proprietary	7,514,658	8,017,592	4,996,551	(3,021,041)	7,907,247	4,886,185	(3,021,062)	(6,042,103)
Total Funds	\$19,740,078	\$20,461,049	\$18,215,117	(\$2,245,932)	\$20,241,624	\$17,995,576	(\$2,246,048)	(\$4,491,980)

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislative budget for HB 2 changes when compared to the executive due to two major changes; 1) additional federal funds to support a FirstNet Planning Grant to plan for the use and integration of existing systems with the nationwide public safety broadband network, and 2) reduction of \$5.8 million in proprietary funding supporting the Montana State Lottery due to the passage and approval of HB 20. These changes are partially offset by a reduction for an additional 2% vacancy savings for the positions funded in HB 2.

Changes in Proprietary Rates from the Executive

The legislature reduced authority for proprietary rates by 1.2% overall for the Statewide Accounting, Budgeting and Human Resources Program (SABHRS) by eliminating funding for a computer specialist position. The legislature increased rates for general liability insurance premiums by \$525,000 each year of the biennium for the state's self-insurance program. In FY 2012 the Risk Management and Tort Defense Division experienced as "lifetime legacy shock-loss" of \$26.8 million due to a settlement for Montana asbestos victims. Finally, the legislature rejected an executive proposal to change the method of charging for state employee training from a tuition based methodology to a charge per state employee.

Language and Statutory Authority

The legislature included the following language in HB 2.

"If House Bill No. 38 is not passed and approved State Information Technology Services Division is increased by \$943,612 in FY 2014 and \$943,342 in FY 2015 in state special revenue."

"Employee Benefits Program – Because state employee benefit plans require a large number of individual contributions for a variety of benefit options, because the portion of the contributions paid by the state is statutorily established in 2-18-703, and because the employee and retiree-paid portion of those contributions must be adjusted from time to time to meet the requirements of 2-18-812(1) to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines “rates and fees” for state employee programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward group benefits necessary to meet the requirements of 2-18-812(1). "

"State Accounting Division includes a reduction in general fund of \$82,148 in fiscal year 2014 and \$82,197 in fiscal year 2015, federal special revenue of \$1 in fiscal year 2014 and \$38,310 in fiscal year 2015. Banking and Financial Division includes a reduction in state special revenue of \$95,259 in fiscal year 2014 and \$95,306 in fiscal year 2015. The reductions are the equivalent of an additional 2% vacancy savings. The agency may allocate these reductions in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00%
Personal Services	60,356	61,572	58,779	58,713	121,928	117,492	(4,436)	(3.64%)
Operating Expenses	53,551	41,038	69,493	12,053	94,589	81,546	(13,043)	(13.79%)
Local Assistance	16,464	37,133	16,464	16,464	53,597	32,928	(20,669)	(38.56%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$130,371	\$139,743	\$144,736	\$87,230	\$270,114	\$231,966	(\$38,148)	(14.12%)
General Fund	113,907	102,033	128,272	70,796	215,940	199,068	(16,872)	(7.81%)
State Special	0	577	0	0	577	0	(577)	(100.00%)
Federal Special	16,464	37,133	16,464	16,434	53,597	32,898	(20,699)	(38.62%)
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$130,371	\$139,743	\$144,736	\$87,230	\$270,114	\$231,966	(\$38,148)	(14.12%)

Program Description

The Director's Office (office) provides overall leadership and management support to the Department of Administration's divisions and offers administrative support to attached boards and commissions. The office acts as a liaison among the agency's divisions, administratively attached boards and commissions, the Cabinet, the legislature, and the Governor's office.

Program Highlights

Director's Office Major Budget Highlights	
◆	Overall costs for the division in HB 2 are reduced due to changes included in statewide present law adjustments
◆	Proprietary rates approved for the 2015 biennium generate higher revenues to support an additional 5.18 FTE

Program Narrative

The Director's Office costs decrease between the 2013 and 2015 biennia due to reductions included in:

- Statewide present law adjustments for legislative audit costs
- Personal service costs for employee benefits that are lower in the 2015 biennium

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Director'S Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$199,068	\$0	\$70,674,796	\$70,873,864	51.3%	17-7-502	Direct
						19-3-319	Pass Thru
						19-20-604	Pass Thru
						19-20-607	Pass Thru
State Special Total	\$0	\$0	\$21,978,022	\$21,978,022	15.9%		
02858 Mineral Impact	\$0	\$0	\$21,978,022	\$21,978,022	15.9%	17-3-241	Pass Thru
Federal Special Total	\$32,898	\$0	\$41,214,186	\$41,247,084	29.8%		
03095 Taylor Grazing Act Dist.	\$0	\$0	\$240,712	\$240,712	0.2%	17-3-222	Pass Thru
03369 Flood Control Payments	\$32,898	\$0	\$0	\$32,898	0.0%		
03425 Forest Reserve Shared Revenue	\$0	\$0	\$40,973,474	\$40,973,474	29.6%	17-3-212	Pass Thru
Proprietary Total	\$0	\$3,360,882	\$0	\$3,360,882	2.4%		
06534 Management Services	\$0	\$3,360,882	\$0	\$3,360,882	2.4%		
Other Total	\$0	\$0	\$779,052	\$779,052	0.6%		
05008 Capitol Building Sr	\$0	\$0	\$779,052	\$779,052	0.6%	17-7-502	Direct
Total All Funds	\$231,966	\$3,360,882	\$134,646,056	\$138,238,904	100.0%		
Percent - Total All Sources	0.2%	2.4%	97.4%				

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other divisions in the agency and are discussed in the "Proprietary Rates" section of the narrative.

Within HB 2 general fund provides funding for the office's support of:

- Board of County Printing
- Burial Preservation Board
- General management and legal support for statewide functions

Federal special revenue funds administration functions that support the allocation of federal flood control payments.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	113,907	113,907	227,814	114.44%	130,371	130,371	260,742	112.41%
Statewide PL Adjustments	7,354	(50,123)	(42,769)	(21.48%)	7,354	(50,153)	(42,799)	(18.45%)
Other PL Adjustments	7,011	7,012	14,023	7.04%	7,011	7,012	14,023	6.05%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$128,272	\$70,796	\$199,068		\$144,736	\$87,230	\$231,966	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				872						804
Vacancy Savings				(2,449)						(2,447)
Inflation/Deflation				7						14
Fixed Costs				8,924						(48,524)
Total Statewide Present Law Adjustments	\$7,354	\$0	\$0	\$7,354		(\$50,123)	\$0	(\$30)	(\$50,153)	
DP 50 - Initial Motion to FY 2012 Base	0.00	(7,354)	0	(7,354)	0.00	50,123	0	30	50,153	
DP 51 - Adjustment for Statewide Personal Services	0.00	(1,577)	0	(1,577)	0.00	(1,642)	0	(1)	(1,643)	
DP 52 - Adjustment for Statewide Operations	0.00	8,942	0	8,942	0.00	(48,469)	0	(29)	(48,498)	
DP 101 - Burial Board	0.00	7,000	0	7,000	0.00	7,000	0	0	7,000	
Total Other Present Law Adjustments	0.00	\$7,011	\$0	\$7,011	0.00	\$7,012	\$0	\$0	\$7,012	
Grand Total All Present Law Adjustments	0.00	\$14,365	\$0	\$14,365	0.00	(\$43,111)	\$0	(\$30)	(\$43,141)	

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 101 - Burial Board - The legislature provided a one-time-only appropriation of \$7,000 general fund for each year of the 2015 biennium to cover costs associated with repatriation hearings. There was no need for repatriation hearings in FY 2012, and as such the base budget did not include funding for them. Funding approved anticipates one repatriation hearing each fiscal year with costs for a hearing examiner and travel for members.

Proprietary Rates

The Director's Office provides management services to other divisions within the agency. Costs of providing the services are charged to the divisions and used to support the activities within the office.

Proprietary Program Description

The Director's Office provides services in the areas of legal, human resources, and financial management to other divisions of the agency and agencies and boards attached to the agency for administrative purposes. The Office of Legal Services advises the divisions on legal matters. The Office of Human Resources processes payroll; assists with recruitment, selection and orientation of new employees; classifies positions; and develops human resource policies for the department. The Office of Finance and Budget prepares and presents the biennial budget, processes budget change documents, monitors approved budgets for compliance with state law and legislative intent, and provides accounting assistance. Additionally, the Director's Office provides IT management and project management services.

Proprietary Revenues and Expenses

Proprietary Program Narrative

Expenses

Significant costs included in the 2015 biennium budget include:

- Personal services of \$1.45 million supporting 19.51 FTE over the 2015 biennium. This is an increase of 5.18 FTE and \$320,500 in personal service costs from those included in the rates in FY 2012. New positions include:
 - 1.50 FTE - Human Resource Specialists
 - 1.00 FTE - Paralegal Assistant
 - 0.68 FTE - Budget Analyst
 - 1.00 FTE - Auditor
 - 1.00 FTE - Project Facilitation Specialist
- Operating costs of \$227,000 supporting:
 - Consulting and professional services - \$26,500
 - ITSD services - \$38,500
 - Office space rent - \$33,200
 - Computers - \$15,800
 - Indirect costs - \$15,800

Revenues

All divisions of the agency and other agencies and boards designed in statute as being administratively attached to the agency use the services provided by the programs included in the Director's Office. Administratively attached agencies or boards with staff to perform the provided functions do not use some of the services and are not charged a fee.

The revenues for this program are allocated in three ways: 1) the human resource function based on an annual amount per FTE served; 2) the legal unit costs based on a time-use study; and 3) the remaining portion on the proportional size of the division, board, or agency's budget to the total of all served. The program charges and budgeted within each division budget are shown in Figure 1.

Figure 1

Department of Administration Director's Office Administrative Charges to Programs								
Division	FY 2014				FY 2015			
	HB 2	Non-budgeted Proprietary	Total	% of Total	HB 2	Non-budgeted Proprietary	Total	% of Total
State Accounting Division	\$30,236	\$93,391	\$123,627	8.49%	\$30,012	\$92,730	\$122,742	8.49%
Architecture and Engineering Division	47,703	0	47,703	3.28%	47,405	0	47,405	3.28%
General Services Division	20,064	195,430	215,494	14.80%	19,924	195,957	215,881	14.93%
State Information Technology Services Division	8,582	582,267	590,849	40.59%	8,481	576,553	585,034	40.47%
Banking and Financial Division	79,723	0	79,723	5.48%	79,166	0	79,166	5.48%
Montana State Lottery	60,796	0	60,796	4.18%	60,218	0	60,218	4.17%
Healthcare and Benefits Division	25,674	61,757	87,431	6.01%	25,674	61,229	86,903	6.01%
State Human Resources Division	30,617	105,903	136,520	9.38%	30,327	105,328	135,655	9.38%
Risk Management and Tort Defense Division	0	100,166	100,166	6.88%	0	99,136	99,136	6.86%
State Tax Appeal Board	13,443	0	13,443	0.92%	13,349	0	13,349	0.92%
Total Administrative Charges to DOA Divisions	<u>\$316,838</u>	<u>\$1,138,914</u>	<u>\$1,455,752</u>	<u>100.00%</u>	<u>\$314,556</u>	<u>\$1,130,933</u>	<u>\$1,445,489</u>	<u>100.00%</u>

As shown, the State Information Technology Division pays almost half of the costs of the Director's Office, followed by the General Services Division and the State Human Resources Division.

Proprietary Rate Explanation

For the 2015 biennium the legislature approved the rates as shown below. The rate is determined by estimating the amount of revenue necessary to cover all personal services and operation costs and to maintain a sufficient working capital balance.

Figure 2

Department of Administration Director's Office Approved Rate for Director's Office				
Fee/Rate	Actual FY 2012	Budgeted FY 2013	Budgeted FY 2014	Budgeted FY 2015
Human resources portion of program (annually per FTE)	\$633	\$570	\$606	\$603
Remaining portion of the program (fixed amount for allocation)	\$1,009,516	\$902,951	\$1,269,878	\$1,269,231

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	18.67	18.67	18.67	18.67	18.67	18.67	0.00	0.00%
Personal Services	1,082,891	1,105,372	1,065,407	1,064,394	2,188,263	2,129,801	(58,462)	(2.67%)
Operating Expenses	236,172	273,572	250,704	249,733	509,744	500,437	(9,307)	(1.83%)
Total Costs	\$1,319,063	\$1,378,944	\$1,316,111	\$1,314,127	\$2,698,007	\$2,630,238	(\$67,769)	(2.51%)
General Fund	1,269,360	1,325,274	1,298,230	1,296,348	2,594,634	2,594,578	(56)	0.00%
Federal Special	1,066	4,910	1,066	1,065	5,976	2,131	(3,845)	(64.34%)
Other	48,637	48,760	16,815	16,714	97,397	33,529	(63,868)	(65.57%)
Total Funds	\$1,319,063	\$1,378,944	\$1,316,111	\$1,314,127	\$2,698,007	\$2,630,238	(\$67,769)	(2.51%)

Program Description

The State Accounting Division consists of several programs/activities funded from the general, federal special, and proprietary funds. The State Accounting Division is made up of the:

- State Accounting Bureau
- Local Government Services Bureau
- Treasury Unit
- Social Security Administrator

The State Accounting Bureau:

- Is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS):
- Establishes state accounting policies and procedures;
- Administers the federal Cash Management Improvement Act
- Prepares and negotiates the Statewide Cost Allocation Plan (SWCAP)
- Prepares the state Comprehensive Annual Financial Report (CAFR)
- Provides accounting assistance and training to state agencies

Local Government Services Bureau provides technical assistance and training to local government accounting and financial personnel. The bureau maintains and publishes the local government Budgetary, Accounting and Reporting System (BARS) chart of accounts and the county collection and accounting manuals. The Treasury Unit provides the central banking function for state agencies, reconciles the state bank accounts, and insures the collateralization of these bank accounts is maintained at the proper level. The State Social Security Administrator manages the Social Security Act Section 218 program for the State of Montana, including interpreting its provisions and insuring proper application of Social Security coverage to all State and political subdivision employees. The Administrator provides education and outreach to local governments to support them in this function.

Program Highlights

State Accounting Division Major Budget Highlights	
	<ul style="list-style-type: none"> ◆ The majority of the funding in this program is from non-budgeted proprietary funds that do not show on the HB 2 tables ● General fund support changes due to: <ul style="list-style-type: none"> ▪ Increases included in the statewide present law adjustments ● Increased general fund costs for 1.00 FTE transferred from other divisions to create a social security administrator ● Reductions for additional vacancy savings

Program Narrative

General fund support for the program remains static between biennia due to:

- Increased personal service costs supported by general fund. In FY 2012 the agency transferred:
 - 0.51 FTE and \$40,000 general fund annually in personal services from the State Human Resource Division
 - 0.49 FTE and \$20,000 general fund annually in personal services from the Director's Office
- Increased vacancy savings of 2% included for all positions budgeted in HB 2, which reduced support for the division by \$240,900 over the biennium including a reduction in general fund of \$164,300

The division used the additional FTE to create a regulatory program manager position within the accounting bureau for the state social security administrator. The legislature provided costs of the position in the 2015 biennium that are \$45,000 in general fund above the transferred authority.

A portion of the increase in personal services was offset by the application of an additional 2% vacancy savings for the department. The calculated reduction in general fund and proprietary funds was included in the State Accounting Division. However, the legislature included language that allows the department to allocate the reduction across the various divisions. This means that the amount of the reduction allocated to the State Accounting Division will be changed when the department establishes its operating plan budgets at the beginning of the fiscal year.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Accounting Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,594,578	\$0	\$4,118,056	\$6,712,634	40.1%	17-6-101	Direct
Federal Special Total	\$2,131	\$0	\$0	\$2,131	0.0%		
03320 Cmia Funds	\$2,131	\$0	\$0	\$2,131	0.0%		
Proprietary Total	\$33,529	\$9,997,447	\$0	\$10,030,976	59.9%		
06042 Single Audit Review - Hb328	\$0	\$822,697	\$0	\$822,697	4.9%		
06511 Sabhrs Services Bureau	\$0	\$7,665,673	\$0	\$7,665,673	45.8%		
06527 Investment Division	\$33,529	\$0	\$0	\$33,529	0.2%		
06564 Warrant Writing	\$0	\$1,509,077	\$0	\$1,509,077	9.0%		
Total All Funds	\$2,630,238	\$9,997,447	\$4,118,056	\$16,745,741	100.0%		
Percent - Total All Sources	15.7%	59.7%	24.6%				

House Bill 2

General fund in the program supports development of statewide accounting standards, treasury functions, and accounting assistance for local governments. Proprietary funding in HB 2 is a direct appropriation from the Board of Investments proprietary fund for services the Treasury Unit provides to the board. Federal support for cash management services declined 78% from budget projections for federal Cash Management Improvement Act funds that are deposited into the general fund.

Proprietary Funding

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other divisions in the agency and are discussed in the "Proprietary Rates" section of the narrative.

Statutory Appropriations

About a quarter of the funding in the State Accounting Division is statutorily appropriated for use by the state treasurer. The state treasurer may contract with a financial institution to provide general depository banking services. The cost of contracting for banking services is statutorily appropriated, as provided in 17-7-502, MCA, from the general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,269,360	1,269,360	2,538,720	97.85%	1,319,063	1,319,063	2,638,126	100.30%
Statewide PL Adjustments	107,427	105,823	213,250	8.22%	113,894	112,210	226,104	8.60%
Other PL Adjustments	3,591	3,362	6,953	0.27%	3,591	3,362	6,953	0.26%
New Proposals	(82,148)	(82,197)	(164,345)	(6.33%)	(120,437)	(120,508)	(240,945)	(9.16%)
Total Budget	\$1,298,230	\$1,296,348	\$2,594,578		\$1,316,111	\$1,314,127	\$2,630,238	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014						Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				152,366						151,381
Vacancy Savings				(49,413)						(49,370)
Inflation/Deflation				80						223
Fixed Costs				10,861						9,976
Total Statewide Present Law Adjustments	\$107,427	\$0	\$0	\$113,894*			\$105,823	\$0	\$0	\$112,210*
DP 50 - Initial Motion to FY 2012 Base	0.00 (107,427)	0	0	(113,894)*		0.00	(105,823)	0	0	(112,210)*
DP 51 - Adjustment for Statewide Personal Services	0.00 97,031	0	0	102,953*		0.00	96,106	0	0	102,012*
DP 52 - Adjustment for Statewide Operations	0.00 10,621	0	0	11,166*		0.00	9,937	0	0	10,418*
DP 102 - Allocate department indirect/admin costs	0.00 3,366	0	0	3,366		0.00	3,142	0	0	3,142
Total Other Present Law Adjustments	0.00 \$3,591	\$0	\$0	\$3,591*		0.00	\$3,362	\$0	\$0	\$3,362*
Grand Total All Present Law Adjustments	0.00 \$111,018	\$0	\$0	\$117,485*		0.00	\$109,185	\$0	\$0	\$115,572*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate department indirect/admin costs - The legislature included an increase of \$3,366 in FY 2014 and \$3,142 in FY 2015 for the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions in the Director's Office in the approved rates.

New Proposals

New Proposals										
Fiscal 2014						Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
03	0.00	(82,148)	0	0	(120,437)*	0.00	(82,197)	0	(1)	(120,508)*
Total	0.00	(\$82,148)	\$0	\$0	(\$120,437)*	0.00	(\$82,197)	\$0	(\$1)	(\$120,508)*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

Proprietary Rates

The State Accounting Division provides the following functions with proprietary funds:

- Statewide Accounting, Budgeting, and Human Resource Program (SABHRS)
- Warrant Writer Program
- Local Government Audit and Reporting Program

These programs are described separately along with a discussion of program expenses, revenues, and rates being requested to finance each program.

Statewide Accounting, Budgeting, and Human Resources Program - 06511

Program Description

The Statewide Accounting, Budgeting and Human Resource Finance and Budget Bureau (SFAB) is responsible for operational support and maintenance of the enterprise financial and budget development information systems. Budget development business processes are supported by the Montana Budget, Analysis, and Reporting System (MBARS) modules. MBARS supports the executive planning process (EPP), long range building program, general budget building process, narrative publications, and budget implementation.

Proprietary Program Narrative

Expenses

Significant costs for the program include:

- Personal services costs of \$2.6 million over the biennium to support 17.00 FTE
- Operating costs of \$5.0 million including:
 - \$3.2 million for computer costs
 - \$1.2 million for State Information Technology Services Division (SITSD) services such as application and server hosting

Revenues

All state agencies are required to use the SABHRS program to ensure consistent, accurate, and transparent financial and budgeting information. Revenues are based on:

- Costs to operate the program
- Maintaining a reasonable working capital balance, 60 working days

These components factor into the maximum allocation of costs in a rate that is approved by the legislature.

The program costs are allocated based on an agency's proportionate share of journal lines to the total journal lines of all agencies:

- 87% for financial system journal lines
- 13% for MBARS journal lines

Budget authority to pay the SABHRS allocation is a fixed cost in each agencies' budget and equals the revenues included in the proprietary rates for this program.

Proprietary Rates

For the 2015 biennium the rates adopted by the legislature are shown on the following page. The rates charged in the base year are shown for comparison purposes. The legislature adopted rates that were 1.2% lower than the rates proposed by the executive by reducing funding for a computer security specialist position that had been vacant since 5/8/2010.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Warrant Writer Program - 06564

Program Description

The department provides the check writing and automatic-deposit services for most state agencies through the Warrant Writer Program. The program produces and processes these payments and tracks them on SABHRS. The program generates, tracks, and reconciles each warrant. Warrant printing is provided by Print and Mail Services within the General Services Division. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, vendor file maintenance, and federal 1099-MISC processing.

Program Narrative

Expenses

Significant costs for the program include:

- Personal services costs of \$0.4 million over the biennium to support 5.33 FTE
- Operating costs of \$1.1 million including:
 - \$0.6 million for mailing costs
 - \$0.3 million for printing costs

Revenues

As the service is mandated by statute, no alternative exists for state agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system. Revenues are derived from monthly billings based on actual warrants issued.

Budget authority to pay the costs is a fixed cost item in agencies' budgets. The statewide fixed cost in the executive budget is \$450,000 lower for the 2015 biennium than the funding approved by the 2013 Legislature. All fees, except the duplicate payment processing, decreased for fiscal years 2014 and 2015. This results from savings generated by a move of the printing processes to the Print and Mail function in the General Services Division and the continued increase in the use of electronic payments by the agencies.

Proprietary Rates

For the 2015 biennium the rates adopted by the legislature are shown in the table. The rates charged in the base year are shown for comparison purposes.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Department of Administration State Accounting Division SABHRS				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
SABHRS Services Fee	\$2,961,333	\$3,554,526	\$3,689,397	\$3,346,369
Working Capital	\$505,849	\$505,849	\$505,849	\$505,849
*Note: This analysis does not include OBEP expenses.				

Department of Administration State Accounting Division Warrant Writer Program				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Mailer	\$0.74392	\$0.74464	\$0.67693	\$0.67112
Non-Mailer	0.28392	0.28464	0.24493	0.24912
Emergency	14.11292	14.11364	9.88544	9.88963
Duplicates	3.35417	3.35489	7.08394	7.08812
Externals				
Externals - Payroll	0.20512	0.21239	0.18730	0.19149
Externals - Universities	0.13859	0.13907	0.12394	0.12260
Direct Deposit				
Direct Deposit - Mailer	0.81859	0.82907	0.70654	0.69520
Direct Deposit - No Advice Printed	0.13859	0.13907	0.12394	0.12260
Unemployment Insurance				
Mailer - Print Only	0.14533	0.14557	0.12099	0.12652
Direct Deposit - No Advice Printed	0.04769	0.04785	0.03618	0.03614
Fiscal Year End Working Capital	\$41,320	\$52,291	\$58,208	\$56,466
Note: This analysis does not include OPEB expenses.				

Local Government Audit and Reporting Program - 06042*Program Description*

The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the audit requirements for about 900 Montana local government entities. The work of the Audit Review Program is mandated primarily in 2-7-5, MCA. The program reviews financial reports and enters selected data into a statewide data base and notifies state agencies of audit findings related to financial assistance programs that they administer. The program also maintains a roster of independent auditors authorized to conduct local government audits.

Additionally this program provides technical accounting and reporting assistance to local governments and the other staff within the bureau on an as needed basis.

*Program Narrative*Expenses

Significant costs for the program include:

- Personal services costs of \$0.6 million over the biennium to support 5.00 FTE
- Operating costs of \$0.2 million including:
 - \$60,200 for office rent
 - \$26,600 for indirect costs paid for management services provided by the Director's Office

Revenues

Fees include a:

- Report filing fee based upon costs incurred by the department for administering the Audit Review Program. All local government entities that are required to submit audits pay the filing fee
- Financial review fee collected from local governments that are required to submit financial reviews
- Roster fee collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana.
- Late payment penalty incurred when a local government entity fails to file a report as required
- Fine for failure to file audits or reports as required

The program also may receive reimbursement for audited entities for costs to contract for special audits as requested.

Proprietary Rates

Funding for the program is with enterprise type proprietary funds. As such, the legislature does not approve rates or appropriate funds for this proprietary funded program. The fees shown on the following page are adopted in the Administrative Rules of Montana or required in statute.

Department of Administration State Accounting Division Local Government Audit and Reporting Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Variable fee, as follows:				
Major Fee: Local Government Report Filing Fee				
Annual revenues less than \$200,000	\$0	\$0	\$0	\$0
Annual revenues equal to or greater than \$200,000, but less than \$500,000	0	0	0	0
Annual revenues equal to or greater than \$500,000, but less than \$1,000,000	435	435	435	435
Annual revenues equal to or greater than \$1,000,000, but less than \$1,500,000	635	635	635	635
Annual revenues equal to or greater than \$1,500,000, but less than \$2,500,000	760	760	760	760
Annual revenues equal to or greater than \$2,500,000, but less than \$5,000,000	845	845	845	845
Annual revenues equal to or greater than \$5,000,000, but less than \$10,000,000	890	890	890	890
Annual revenues are equal to or greater than \$10,000,000, but less than \$50,000,000	965	965	965	965
Annual revenues are equal to or greater than \$50,000,000	1,000	1,000	1,000	1,000
Minor Fee: Auditor Roster Fee				
Annual Fee	\$100	\$100	\$100	\$100
Working Capital (November)	\$366,738	\$342,942	\$324,781	\$307,170
Note: Because of the timing of revenue collections, the low point on working capital for this fund is November of each year.				
*Note: This analysis does not include OPEB expenses.				

Due to concerns that the fees charged to local governments were not commensurate with costs of administering the program the Joint Appropriations Subcommittee on General Government recommended that the Legislative Finance Committee monitor progress by the State Accounting Division in lowering the fees for the Local Government and Reporting Program including:

- Reduction of excess fund balance in the related proprietary fund
- Fees commensurate with the costs of operating the program

The subcommittee also recommended that a report on the progress be provided to the 2015 Joint Appropriations Subcommittee on General Government.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	17.00	17.00	17.00	17.00	17.00	17.00	0.00	0.00%
Personal Services	1,295,638	1,305,035	1,332,445	1,332,830	2,600,673	2,665,275	64,602	2.48%
Operating Expenses	580,784	576,549	530,682	529,875	1,157,333	1,060,557	(96,776)	(8.36%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$1,876,422	\$1,881,584	\$1,863,127	\$1,862,705	\$3,758,006	\$3,725,832	(\$32,174)	(0.86%)
State Special	1,876,422	1,881,584	1,863,127	1,862,705	3,758,006	3,725,832	(32,174)	(0.86%)
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$1,876,422	\$1,881,584	\$1,863,127	\$1,862,705	\$3,758,006	\$3,725,832	(\$32,174)	(0.86%)

Program Description

The Architecture and Engineering Division (A&E) manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The division also formulates a long-range building plan for legislative consideration each session. This division operates under the authority found in Titles 17 and 18, MCA, as well as other state mandates.

Program Highlights

Architecture & Engineering Major Budget Highlights	
♦	Reductions in operating expenses funded with state special revenue costs are due to changes in the statewide indirect costs allocated to the program

Program Narrative

Biennial changes between 2013 biennium and 2015 biennium result from changes to the state indirect costs allocated to the program. Costs for state indirect costs are reduced by \$194,400 over the 2015 biennium, offsetting increases for other operating costs and overall reducing operating expenses in the 2015 biennium.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Architecture & Engineering Pgm							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$3,725,832	\$0	\$0	\$3,725,832	100.0%		
02030 Arch & Engin Construction	\$3,725,832	\$0	\$0	\$3,725,832	100.0%		
Total All Funds	\$3,725,832	\$0	\$0	\$3,725,832	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Architecture and Engineering Program is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenses in support of the state Long-range Building Program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,876,422	1,876,422	3,752,844	100.72%
Statewide PL Adjustments	0	0	0	0.00%	(23,719)	(23,838)	(47,557)	(1.28%)
Other PL Adjustments	0	0	0	0.00%	10,424	10,121	20,545	0.55%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$1,863,127	\$1,862,705	\$3,725,832	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					92,326					92,726
Vacancy Savings					(55,519)					(55,534)
Inflation/Deflation					(1,055)					(546)
Fixed Costs					(59,471)					(60,484)
Total Statewide Present Law Adjustments		\$0	(\$23,719)	\$0	(\$23,719)		\$0	(\$23,838)	\$0	(\$23,838)
DP 50 - Initial Motion to FY 2012 Base	0.00		23,719	0	23,719	0.00	0	23,838	0	23,838
DP 51 - Adjustment for Statewide Personal Services	0.00	0	36,807	0	36,807	0.00	0	37,192	0	37,192
DP 52 - Adjustment for Statewide Operations	0.00	0	(60,321)	0	(60,321)	0.00	0	(60,830)	0	(60,830)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	10,219	0	10,219	0.00	0	9,921	0	9,921
Total Other Present Law Adjustments	0.00	\$0	\$10,424	\$0	\$10,424	0.00	\$0	\$10,121	\$0	\$10,121
Grand Total All Present Law Adjustments	0.00	\$0	(\$13,295)	\$0	(\$13,295)	0.00	\$0	(\$13,717)	\$0	(\$13,717)

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature approved funding the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	11.25	11.25	11.25	11.25	11.25	11.25	0.00	0.00%
Personal Services	631,242	668,361	681,346	681,031	1,299,603	1,362,377	62,774	4.83%
Operating Expenses	1,339,564	1,337,919	1,384,957	1,337,116	2,677,483	2,722,073	44,590	1.67%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	32,050	0	0	0	32,050	0	(32,050)	(100.00%)
Total Costs	\$2,002,856	\$2,006,280	\$2,066,303	\$2,018,147	\$4,009,136	\$4,084,450	\$75,314	1.88%
General Fund	1,949,942	1,953,234	2,004,122	1,956,166	3,903,176	3,960,288	57,112	1.46%
State Special	52,914	53,046	62,181	61,981	105,960	124,162	18,202	17.18%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$2,002,856	\$2,006,280	\$2,066,303	\$2,018,147	\$4,009,136	\$4,084,450	\$75,314	1.88%

Program Description

The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act. The bureau also manages the state's energy procurement, vehicle fueling and procurement card programs.

The Print and Mail Services Bureau provides print and mail services to state agencies. Services include internal and external (contracted) printing, photocopy pool services, mail preparation, central mail operations, and inter-agency (deadhead) mail. The bureau also operates the United States post office in the Capitol and provides two quick copy locations on the Capitol Complex.

The Property and Supply Bureau manages the central stores program and the state and federal surplus property programs.

Program Highlights

General Services Division Major Budget Highlights	
◆	Non-budgeted proprietary funds provide over 90% of the support for the program
◆	Increases to personal services and operating expenses are made as part of the statewide present law adjustments
◆	Debt service is reduced due to a reduction in general fund supporting an installment purchase associated with the OPI building lease
◆	\$1.2 million in general fund annually supporting the common areas was removed from the base budget and provided as a one-time-only appropriation
◆	The legislature eliminated 3.00 FTE supported by proprietary rates

Program Narrative*HB 2*

Support for the program included in HB 2 increased when comparing the 2015 biennium to the 2013 biennium due to:

- Personal service increases of about \$100,000 over the 2015 biennium contained in the statewide present law adjustments
- Fixed costs adjustments of \$37,000 over the 2015 biennium

Beginning in the 2009 biennium, the Facilities Management Bureau began charging common areas of three state buildings rent and maintenance fees to fund the related operations and maintenance costs. The common areas include:

- Hallways and bathrooms in the Capitol Building
- Office space for the Senate and House of Representatives in the Capitol Building
- Governor's Mansion
- Public display areas in the Montana Historical Society Museum
- Office space in the Montana Historical Society Museum

This funding was included as part of the division's base budget in the 2015 biennium. The legislature provided \$1.2 million in general fund each year of the biennium for the maintenance of the common areas. However, the funding was removed from the base budget and included as a one-time-only appropriation. For the 2017 biennium, the division will need to request funding for the maintenance of the common areas as a new decision package outlining the uses of the funding in the 2015 biennium and justifying the need for the level of funding in the 2017 biennium.

Proprietary funding

The legislature eliminated funding for a number of positions previously approved as part of proprietary rates, including:

- 0.23 FTE – short term worker
- 1.00 FTE – mail clerk
- 0.77 FTE – accounting technician
- 1.00 FTE – accountant

Also eliminated was \$0.2 million in proprietary funding supporting the positions.

The legislature also approved the elimination of the Central Stores Program as recommended by the Legislative Audit Division. The legislature eliminated 7.00 FTE and \$9.2 million in proprietary funding was reduced in the rate approved by the legislature. In addition, the legislature transferred \$0.5 million in fund balance from the central stores account to the general fund as the elimination of the program also reduced the need for a fund balance to provide for working capital.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - General Services Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,960,288	\$0	\$266,028	\$4,226,316	9.3%	17-3-106	Direct
State Special Total	\$124,162	\$0	\$0	\$124,162	0.3%		
02211 Procurement Special Revenue	\$124,162	\$0	\$0	\$124,162	0.3%		
Proprietary Total	\$0	\$41,007,058	\$0	\$41,007,058	90.4%		
06066 Surplus Property	\$0	\$1,001,068	\$0	\$1,001,068	2.2%		
06528 Rent And Maintenance	\$0	\$18,193,467	\$0	\$18,193,467	40.1%		
06530 Print & Mail Services	\$0	\$21,669,609	\$0	\$21,669,609	47.8%		
06531 Central Stores	\$0	\$142,914	\$0	\$142,914	0.3%		
Total All Funds	\$4,084,450	\$41,007,058	\$266,028	\$45,357,536	100.0%		
Percent - Total All Sources	9.0%	90.4%	0.6%				

HB 2 Funding

General fund provides funding for the State Procurement Bureau and about 11.5% of the total costs for the Facilities Management Bureau. General fund supports facilities maintenance functions for common areas of the Capitol Building, office space for the Senate and House of Representatives, Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building.

State special revenues from procurement rebates fund a portion of the procurement functions that provide the fueling and procurement card operations.

Proprietary Funds

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other divisions in the agency and are discussed in the "Proprietary Rates" section of the narrative.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,949,942	1,949,942	3,899,884	98.47%	2,002,856	2,002,856	4,005,712	98.07%
Statewide PL Adjustments	83,130	35,308	118,438	2.99%	92,446	44,433	136,879	3.35%
Other PL Adjustments	(28,950)	(29,084)	(58,034)	(1.47%)	(28,999)	(29,142)	(58,141)	(1.42%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$2,004,122	\$1,956,166	\$3,960,288		\$2,066,303	\$2,018,147	\$4,084,450	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					78,492					78,166
Vacancy Savings					(28,388)					(28,377)
Inflation/Deflation					64					119
Fixed Costs					42,278					(5,475)
Total Statewide Present Law Adjustments		\$83,130	\$9,316	\$0	\$92,446		\$35,308	\$9,125	\$0	\$44,433
DP 50 - Initial Motion to FY 2012 Base	0.00	(83,130)	(9,316)	0	(92,446)	0.00	(35,308)	(9,125)	0	(44,433)
DP 51 - Adjustment for Statewide Personal Services	0.00	44,301	5,803	0	50,104	0.00	44,056	5,733	0	49,789
DP 52 - Adjustment for Statewide Operations	0.00	38,956	3,521	0	42,477	0.00	(8,624)	3,400	0	(5,224)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	2,973	(57)	0	2,916	0.00	2,842	(66)	0	2,776
DP 606 - Eliminate General Fund Installment Purchase Budget	0.00	(32,050)	0	0	(32,050)	0.00	(32,050)	0	0	(32,050)
Total Other Present Law Adjustments	0.00	(\$28,950)	(\$49)	\$0	(\$28,999)	0.00	(\$29,084)	(\$58)	\$0	(\$29,142)
Grand Total All Present Law Adjustments	0.00	\$54,180	\$9,267	\$0	\$63,447	0.00	\$6,224	\$9,067	\$0	\$15,291

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature included funding for indirect/administrative costs for services provided by proprietary funded centralized service functions in the Director's Office.

DP 606 - Eliminate General Fund Installment Purchase Budget - The legislature reduced general fund for the installment purchase associated with the OPI building lease that was completed June 30, 2012.

New Proposals

New Proposals										
Program	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 613 - Facilities Management for Common Areas (OTO)										
06	0.00	0	0	0	0	0.00	0	0	0	0
Total	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0

DP 613 - Facilities Management for Common Areas (OTO) - The legislature provided a one-time-only appropriation to support maintenance and repair projects for the common areas of state buildings in the capitol complex of \$1.2 million for each year of the biennium. The common areas include office spaces for the House of Representatives and Senate,

Governor's Mansion, public display areas in the Historical Society Museum, and some office space in the museum building. This funding was previously considered part of the base budget resulting in no change to the budget overall.

Proprietary Rates

The General Services Division provides the following functions supported by proprietary funds:

- Facilities Management (Rent and Maintenance)
- Print Services
- Mail Services
- Surplus Property
- Central Stores

These programs are described in the following pages along with a discussion of each program's revenues, expenditures, and rates being requested to finance the program.

Facilities Management Bureau - 06528

Program Description

Rent and maintenance is managed by the Facilities Management Bureau, which is the custodian of all state property and grounds in the state capitol area. The state capitol area is the geographic area within a 10-mile radius of the state capitol. Services include providing facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area and providing statewide leasing assistance to agencies to negotiate co-location of agencies when procuring leased space for field offices. The bureau also manages the office waste paper products recycling program in the Helena area. The program services all agencies and units within state government.

Program Narrative

Expenses

Significant costs for the program in the 2015 biennium include:

- Personal services for 35.05 FTE are \$3.9 million
- Operating costs are \$13.1 million
 - Janitorial services - \$2.5 million
 - Caretaker services - \$2.6 million
 - Electricity - \$2.8 million
 - Natural gas - \$0.6 million
 - Building and grounds maintenance and repair - \$0.8 million

Revenues

All agencies occupying office space in a state-owned building on the capitol complex pay rent to the program. Separate rental rates are established for office and storage space and for the grounds. In addition to rent payments, agencies pay a percentage of the costs for non-routine maintenance projects. These fees are charged at different rates depending on whether bureau or contracted employees are used to complete the project. The revenues from fees are budgeted in the following percentages:

- 92% - Square footage rental rate for office and warehouse space billed to agencies occupying space in state owned buildings controlled by the Department of Administration
- 5% - Grounds maintenance
- 2% - Construction and handyman services. These services are outside the scope of rent and include remodeling, relocating offices, repair and maintenance, and construction services
- 1% - Recycling

Proprietary Rates

For the 2015 biennium the legislature adopted the following rates. The rates charged in the base year are shown for comparison purposes.

Rent is based on square feet occupied and is assessed each agency in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services, operating expenses including maintenance and equipment. Grounds maintenance charges are also based on square feet of office space occupied in buildings controlled by the Department of Administration. Again, the rates are established to cover the cost of personal services, operating expenses including maintenance, and equipment replacement.

Department of Administration General Services Division Facilities Management				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Office Rent (per sq. ft.)	\$8.412	\$8.460	\$8.434	\$8.217
Storage Rent (per sq. ft.)	4.844	4.876	4.625	4.637
Project Management (In-house)	15%	15%	15%	15%
Project Management (Contracted)	5%	5%	5%	5%
Grounds Maintenance (per sq. ft.)	0.494	0.494	0.491	0.049

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Print & Mail Services Bureau (Fund 06530)*Program Description*

The Print & Mail Services Bureau provides printing and mail services to all agencies within state government. The bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); and 7) a postal station in the Capitol. All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost effective method of project completion. Approximately 67 % of printing expenditures are procured through commercial vendors.

The Postal Contract Station provides mail services to the public.

*Program Narrative*Expenses

Significant costs for the program are for:

- Personal services for 34.80 FTE at a biennial cost of \$3.0 million
- Operating expenses of \$17.9 million over the 2015 biennium:
 - Postage and mailing, \$8.4 million
 - Printing, \$5.6 million
 - Direct materials for printing, \$0.9 million

Revenues

All agencies in Helena use the services of this program depending upon their printing and mail needs. Printing revenue is based on the actual type and volume of printing provided and mail services is based on agency specified service frequency. Revenue is received in the following percentages:

- Internal Printing - 16.45%
- External (contracted) printing - 26.72%
- Photocopy Pool - 4.94%
- Mail Preparation - 6.60%
- Central Mail Operations - 42.00%
- Inter-agency (Deadhead Mail) - 2.91%
- Postal Contract Station (\$3,248 monthly from the U.S. Postal Service for operation of the Capitol Post Office) 38%

Proprietary Rates

For the 2015 biennium the legislature adopted the following rates as shown below. The rates charged in the base year are shown for comparison purposes.

Department of Administration General Services Division Print and Mail Services				
Fee group and fees	FY 2012	FY 2013	FY 2014	FY 2015
Internal Printing				
Impression Cost				
1-20	\$0.0762	\$0.0762	\$0.0800	\$0.0800
21-100	0.0336	0.0336	0.0360	0.0360
101-1000	0.0193	0.0193	0.0200	0.0200
1001-5000	0.0078	0.0078	0.0080	0.0080
5000+	0.0039	0.0039	0.0040	0.0040
Color Copy				
8 1/2 x 11	0.2500	0.2500	0.2500	0.2500
11 x 17	0.5000	0.5000	0.5000	0.5000
Ink				
Black per Sheet	0.0002	0.0002	0.0002	0.0002
Color	15.0000	15.0000	15.0000	15.0000
Special Mix	25.0000	25.0000	25.0000	25.0000
Large format color per ft.	12.7000	12.7000	12.7000	12.7000
Collating machine	0.0072	0.0072	0.0080	0.0080
Collating hand	0.6000	0.6000	0.6000	0.6000
Stapling hand	0.0180	0.0180	0.0180	0.0180
Stapling In-line	0.0120	0.0120	0.0120	0.0120
Saddle Stitch	0.0360	0.0360	0.0360	0.0360
Folding (base + per sheet)	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding Rt Angle (base + per sheet)	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding In-line	0.0360	0.0360	0.0360	0.0360
Punching Standard 3-hole	0.0012	0.0012	0.0012	0.0012
Punching Nonstandard (base + per sheet)	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012
Cutting	0.6600	0.6600	0.6600	0.6600
Padding	0.0024	0.0024	0.0024	0.0024
Scoring, perf, numb (setup + duplicating rate)	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate
Perfect Binding (setup + per sheet)	18.00 + .66	18.00 + .66	18.00 + .66	18.00 + .66
Spiral Binding	0.6900	0.6900	0.6900	0.6900
Laminating				
8 1/2 x 11	0.5700	0.5700	0.5700	0.5700
11 x 17	0.8500	0.8500	0.8500	0.8500
Tape Binding	0.6000	0.6000	0.6000	0.6000
Tabs	0.6000	0.6000	0.6000	0.6000
Transparencies	0.6000	0.6000	0.6000	0.6000
Shrink Wrapping	0.3000	0.3000	0.3000	0.3000
Hand work Production	0.6000	0.6000	0.6000	0.6000
Overtime	22.1500	22.1500	24.0000	24.0000
Desktop	46.3600	46.3600	50.0000	50.0000
Scan	9.5200	9.5200	9.5200	9.5200
Proof	0.2500	0.2500	0.2500	0.2500

Continued Rates - Print and Mail - Printing Rates				
Fee group and fees	FY 2012	FY 2013	FY 2014	FY 2015
Programming	\$45.4600	\$45.4600	\$50.0000	\$50.0000
File Transfer	22.7300	22.7300	25.0000	25.0000
Variable Data	0.0090	0.0090	0.0200	0.0200
Mainframe printing	0.0690	0.0690	0.0690	0.0690
CD Duplicating	1.7500	1.7500	1.7500	1.7500
DVD Duplication	3.5000	3.5000	3.5000	3.5000
CTP Plates				
8 1/2 x 11	9.2000	9.2000	9.2000	9.2000
11 x 17	10.3500	10.3500	10.3500	10.3500
External Printing (% markup on invoice)	6.73%	6.73%	6.73%	6.73%
Photocopy Pool (% markup on invoice)	15.90%	15.90%	15.90%	15.90%
Inventory (% markup on invoice)	0.00%	0.00%	15.00%	15.00%
Mail Preparation				
Tabbing	0.0210	0.0210	0.0210	0.0210
Labeling	0.0210	0.0210	0.0210	0.0210
Ink Jet	0.0340	0.0340	0.0340	0.0340
Inserting	0.0300	0.0300	0.0300	0.0300
Winsort	0.0620	0.0620	0.0690	0.0690
Permit mailings	0.0620	0.0620	0.0690	0.0690
Mail Operations				
Machinable	0.0430	0.0430	0.0430	0.0430
Nonmachinable	0.0800	0.0800	0.1000	0.1000
Seal Only	0.0200	0.0200	0.0200	0.0200
Postcards	0.0490	0.0490	0.0600	0.0600
Certified Mail	0.6140	0.6140	0.6140	0.6140
Registered Mail	0.6140	0.6140	0.6140	0.6140
International Mail	0.4000	0.4000	0.5000	0.5000
Flats	0.1100	0.1100	0.1400	0.1400
Priority	0.6140	0.6140	0.6140	0.6140
Express Mail	0.6140	0.6140	0.6140	0.6140
USPS Parcels	0.4000	0.4000	0.5000	0.5000
Insured Mail	0.6140	0.6140	0.6140	0.6140
Media Mail	0.3070	0.3070	0.3070	0.3070
Standard Mail	0.2000	0.2000	0.2000	0.2000
Postage Due	0.0610	0.0610	0.0610	0.0610
Fee Due	0.0610	0.0610	0.0610	0.0610
Tapes	0.2450	0.2450	0.2450	0.2450
Express Services	0.5000	0.5000	0.5000	0.5000
Interagency Mail - annually	\$297,657	\$297,657	\$314,750	\$314,750
Postal Contract (Capitol) - annually	\$38,976	\$38,976	\$38,976	\$38,976

Print and Mail Services has over 100 rates used to provide services to agencies. Overall volume of services is projected to remain constant. Direct and administrative overhead is allocated to each program. Costs are recovered by charging for each unit of service provided. External printing and the photocopy pool recover costs by charging a percentage markup on the invoice for the printing job and/or photocopier. Each rate includes personal services costs, operating costs, and administrative overhead.

Central Stores Program (Fund 06531)*Program Description*

The Central Stores program contracts with a large warehouse distribution center to provide on-line ordering for office supplies. The program also develops standard specifications and procedures, warehouses and delivers commonly used office supplies, paper products, and janitorial supplies to all state agencies and participating local governments. 18-4-221, MCA, requires the Department of Administration to procure or supervise the procurement of all supplies and services needed by the state. Customers include all agencies and units within state government, and participating local governments.

18-4-302(3), MCA, requires state agencies to use Central Stores unless an alternate supplier's publicly advertised price, established catalog price, or discount price offered to the agency is less than the price offered by the Central Stores program if the office supply conforms in all material respects to the terms, conditions, and quality offered by the Central Stores Program. Local governments and University System employees are provided optional use of central stores.

Program Narrative

The Legislative Audit Division (LAD) examined the central stores function with the objectives of:

- Determining if the processes in place for office supply acquisition obtain products at the lowest available price
- Evaluating management of the office supply acquisition processes

The audit determined that the state may be able to generate savings and shorten delivery time by eliminating the products sold directly through the central stores function. To ensure that the contractor for the function complies with contract requirements the audit also concluded that the bureau should periodically review contractor performance. According to the auditors, the department has recently added a position with the capacity to complete such work.

The audit recommended that the Department of Administration:

- Seek a statewide contract for office supplies that features direct delivery of products from a vendor to the ordering agency
- Include the office supplies currently sold through Central Stores in a new direct delivery statewide contract for online ordering of office supplies
- Establish a process to coincide with contractor reporting periods to review the office supply contractor's performance in comparison to contract terms and conditions

The legislature eliminated 7.0 FTE and \$9.2 million from the program to implement the audit division recommendation. It is the legislature's intent that the Department of Administration develop contracts separately for coarse paper, janitorial supplies, and food service disposables in addition to the statewide contract for office supplies, and that the 2% rate apply to all contracts.

Expenses

Significant costs for the program are for:

- Personal services support of \$105,200 for 1.0 FTE to monitor the contract
- Operating costs of \$38,000 for office space and related costs of the contract administrator

Revenues

The costs associated with contract administration would be assessed a rate of 2.0% generating \$95,600 each year of the biennium.

Proprietary Rates

For the 2015 biennium the following rates are proposed by the executive are shown on the following page. The rates charged in the base year are shown for comparison purposes.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Surplus Property Program - 06066

Program Description

The Property & Supply Bureau operates the surplus property program to administer the sale of surplus property no longer needed by agencies. This property is distributed to state agencies or other eligible organizations. The program sells property through on-line auction, fixed price warehouse sales, public auction and garage sales. The surplus property program services include extending the life of state property by providing a mechanism to transfer surplus property between agencies, providing accountability in the disposal of surplus state property, providing agencies with a surplus equipment pick up service, and providing a screening service to locate federal surplus property for state and local agencies.

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Department of Administration General Services Division Central Stores Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A	-	-	-	-
Central Stores Supplies	20%	20%	2%	2%
Central Stores was provided a maximum mark up of 2%				

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	9.50	9.50	7.00	7.00	9.50	7.00	(2.50)	(26.32%)
Personal Services	585,595	544,641	620,011	623,188	1,130,236	1,243,199	112,963	9.99%
Operating Expenses	174,109	240,701	1,151,652	1,150,845	414,810	2,302,497	1,887,687	455.07%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	0	0	0	0	0	0	0	n/a
Transfers	761,110	1,160,559	0	0	1,921,669	0	(1,921,669)	(100.00%)
Total Costs	\$1,520,814	\$1,945,901	\$1,771,663	\$1,774,033	\$3,466,715	\$3,545,696	\$78,981	2.28%
General Fund	404,563	422,323	458,554	460,823	826,886	919,377	92,491	11.19%
State Special	1,116,251	1,523,578	383,109	383,210	2,639,829	766,319	(1,873,510)	(70.97%)
Federal Special	0	0	930,000	930,000	0	1,860,000	1,860,000	n/a
Total Funds	\$1,520,814	\$1,945,901	\$1,771,663	\$1,774,033	\$3,466,715	\$3,545,696	\$78,981	2.28%

Program Description

State Information Technology Services Division (SITSD) is a proprietary program that manages central computing and telecommunications services for state government. SITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet, used by all agencies located throughout the state. SITSD provides local and long distance telephone network services used by all agencies, including the university system, and manages the state's video network. SITSD coordinates electronic government services for the state, and manages the state's Internet presence mt.gov. SITSD also manages the Security and Continuity and Information Technology (IT) PM Enterprise Offices.

The division manages the Public Safety Services Office that includes the state's 911 and public safety radio programs. These programs are funded by state special and federal special funds and general fund.

Through the office of the Chief Information Officer, the division develops the Statewide Strategic IT Plan, coordinates information technology for the state, and reviews and approves IT acquisitions. The division also provides statewide IT training, and establishes hardware, software, and consulting services contracts used by agencies.

Program Highlights

State Information Technology Division Major Budget Highlights	
♦	The majority of the funding in this program is proprietary funds
♦	State special revenues and transfers are reduced due to passage and approval of HB 38, which transferred responsibilities for the Montana Land Information Act to the Montana State Library (MSL). In FY 2012 the State Information Technology Division transferred funding to MSL but statutorily was responsible for the program

Program Narrative

State special revenues decline significantly in the program due to the legislature transferring responsibilities and funding for the Montana Land Information Act, including 2.50 FTE, to the Montana State Library as part of HB 38. This reduced funding in this program by \$1.9 million over the biennium.

In addition, the legislature increased federal funding authority \$1.9 million for a FirstNet Planning Grant included in the Middle Class Tax Relief and Job Creation Act of 2012. The funding supports the establishment of a nationwide interoperable public safety communications network to resolve the communications challenges faced by emergency responders. The funding is to be used to identify, plan, and implement a secure, reliable, and dedicated network for emergency responders to communicate during an emergency.

Other increases for the 2015 biennium were approved as part of the statewide present law adjustments including:

- o \$257,000 for personal service adjustments
- o \$257,000 for fixed costs adjustments

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Information Technology Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$919,377	\$0	\$0	\$919,377	0.9%		
State Special Total	\$766,319	\$0	\$27,451,730	\$28,218,049	26.4%		
02105 Basic 9-1-1 Emergcy Phone Prog	\$0	\$0	\$6,572,348	\$6,572,348	6.1%	10-4-301	Direct
02397 Enhanced 9-1-1 Emerg Tel Pgm	\$0	\$0	\$6,559,230	\$6,559,230	6.1%	10-4-301	Direct
02594 Basic 911 Emerg Phone Program	\$766,319	\$0	\$0	\$766,319	0.7%		
02993 Wireless 911	\$0	\$0	\$6,582,980	\$6,582,980	6.2%	10-4-301	Direct
02994 Wireless 911 Providers	\$0	\$0	\$7,737,172	\$7,737,172	7.2%	10-4-301	Direct
Federal Special Total	\$1,860,000	\$0	\$0	\$1,860,000	1.7%		
03485 Firstnet Planning Grant	\$1,860,000	\$0	\$0	\$1,860,000	1.7%		
Proprietary Total	\$0	\$75,904,410	\$0	\$75,904,410	71.0%		
06522 Isd Proprietary	\$0	\$75,904,410	\$0	\$75,904,410	71.0%		
Total All Funds	\$3,545,696	\$75,904,410	\$27,451,730	\$106,901,836	100.0%		
Percent - Total All Sources	3.3%	71.0%	25.7%				

House Bill 2 Funding

General fund provides funding for the administration of the Public Safety Services Office. State special revenues in the program provide support for the administrative costs related to 911 services. Fees are imposed on a per month per access line basis for each telephone subscriber in the state using either land lines or wireless services. Federal funds are provided to support a federal FirstNet Planning Grant.

Statutory Appropriations

The majority of the state special revenue funding in the division is statutorily appropriated for 911 services. 911 surcharges are collected by the state and statutorily appropriated for distribution to counties and telecommunications providers.

Proprietary Funding

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other agencies and divisions within this agency and are discussed in the "Proprietary Rates" section of the narrative.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	404,563	404,563	809,126	88.01%	1,520,814	1,520,814	3,041,628	85.78%
Statewide PL Adjustments	49,399	51,722	101,121	11.00%	255,879	258,080	513,959	14.50%
Other PL Adjustments	4,592	4,538	9,130	0.99%	8,582	8,481	17,063	0.48%
New Proposals	0	0	0	0.00%	(13,612)	(13,342)	(26,954)	(0.76%)
Total Budget	\$458,554	\$460,823	\$919,377		\$1,771,663	\$1,774,033	\$3,545,696	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					156,607					159,635
Vacancy Savings					(29,689)					(29,810)
Inflation/Deflation					(86)					(59)
Fixed Costs					129,047					128,314
Total Statewide Present Law Adjustments										
	\$49,399		\$206,480	\$0	\$255,879		\$51,722	\$206,358	\$0	\$258,080
DP 50 - Initial Motion to FY 2012 Base	0.00	(49,399)	(206,480)	0	(255,879)	0.00	(51,722)	(206,358)	0	(258,080)
DP 51 - Adjustment for Statewide Personal Services	0.00	(45,458)	172,376	0	126,918	0.00	(43,153)	172,978	0	129,825
DP 52 - Adjustment for Statewide Operations	0.00	94,857	34,104	0	128,961	0.00	94,875	33,380	0	128,255
DP 102 - Allocate Department Indirect/Admin Costs	0.00	4,592	3,990	0	8,582	0.00	4,538	3,943	0	8,481
Total Other Present Law Adjustments										
	0.00	\$4,592	\$3,990	\$0	\$8,582	0.00	\$4,538	\$3,943	\$0	\$8,481
Grand Total All Present Law Adjustments										
	0.00	\$53,991	\$210,470	\$0	\$264,461	0.00	\$56,260	\$210,301	\$0	\$266,561

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

New Proposals

New Proposals

Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 703 - Montana Land Information Act - Housekeeping (HB 38)										
07	(2.50)	0	(943,612)	0	(943,612)	(2.50)	0	(943,342)	0	(943,342)
DP 711 - FirstNet Planning Grant - (Biennial/Restricted)										
07	0.00	0	0	930,000	930,000	0.00	0	0	930,000	930,000
Total	(2.50)	\$0	(\$943,612)	\$930,000	(\$13,612)	(2.50)	\$0	(\$943,342)	\$930,000	(\$13,342)

DP 703 - Montana Land Information Act - Housekeeping (HB 38) - The legislature approved reducing 2.50 permanent FTE and eliminating \$1.8 million in state special revenue in the 2015 biennium. The legislature confirmed a recommendation prepared by the Geographic Information System (GIS) Task Force to finalize the transfer of the Base Map Service Center and administration of the Montana Land Information Act from the Department of Administration to the Montana State Library.

DP 711 - FirstNet Planning Grant - (Biennial/Restricted) - The legislature provided \$1.86 million in federal special revenue to provide support for the FirstNet Planning Grant Program. The grant supports the planning process for a specific frequency for emergency responders. The legislature's intent is that the state's FirstNet planning efforts include substantive participation from private telecommunication network providers, both wireline and wireless, and that the developed plan seeks to maximize the use of existing private telecommunications infrastructure.

Proprietary Rates*Program Description*

The State Information Technology Services Division manages information technology services for state government. Responsibilities of the division include:

- Hosting services, which includes servers, storage, web sites, applications, and enterprise email
- Systems development services incorporating development for applications, web applications, and GIS application development
- Communications and connectivity services for local and long-distance voice services, design and development of telephone equipment and voice applications, Internet access, data network services, and video conferencing services
- Operations support providing for imaging scanning, content management, application printing, systems operations, tape management, local area network (LAN) administration
- Enterprise services that include the following:
 - Statewide Continuity Planning
 - Information System Risk Management
 - Enterprise Security and Computing Systems Monitoring
- Montana Information Technology Act (MITA) oversight of IT activities:
 - IT strategic planning and agency IT plan approval
 - IT policy, standards and procedures
- State Chief Information Officer and Geographic Information Officer activities, Enterprise IT Councils, Advisory Groups and Conference Support, Enterprise-wide IT procurement and contract management, IT training coordination, mt.gov and MINE portal development and website hosting
- Enterprise application hosting - Citrix and Oracle
- Public Safety Services:
 - 9-1-1 program
 - Interoperability Montana (IM) public safety radio program
 - Montana broadband program
- State of MT Data Center

Expenses

Significant costs for the program are for:

- Personal services costs of \$29.0 million for 188.50 FTE
- Operating costs of \$43.55 million including:
 - \$13.6 million in software programs
 - \$2.3 million in IT vendor services
 - \$3.4 million in computer hardware
 - \$7.6 million in converged traffic
 - \$3.0 million in computer maintenance
- Equipment costs for computers and terminals \$3.3 million

Revenues

Funding for SITSD is from charges to state agencies through the fixed cost process for server and application hosting, and data/network services. The majority of SITSD's budget is funded through proprietary funds.

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed cost in the budget for SITSD is \$1.2 million higher in FY 2014 and \$1.5 million higher in FY 2015. A portion of the increase is related to using the billed invoice rates, with the remaining increase due to projected increases in services or the rates charged by SITSD for the rates.

The figure shows costs for SITSD services budgeted for state agencies.

SITSD uses a methodology to identify and allocate the full cost of each separate service it offers to the users of that service. This is known as the Full-Cost Transparency Model (FTM) and has been in place since the 2011 biennium. During FY 2012 SITSD defined about 200 services, allocated costs and staff time to each service, and estimated units of service provided to each agency. Rates are based on a detailed allocation of expenditures and staff time to each service. SITSD also implemented a staff time tracking system to refine the accuracy of staff time allocation. Because SITSD continues to refine the model for the services and the costs to provide them, the allocation of costs to the various state agencies is changed from those allocated in the 2013 biennium.

Proprietary Rates

For the 2015 biennium the legislature approved SITSD charging various rates in order to maintain a 30-day working capital. By approving the working capital rate the legislature allows SITSD to charge establish the rates for its customers. SITSD is allowed to set and change the level of the rates throughout the interim.

Department of Administration State Information Technology Services Division State Agency Costs			
State Agency	FY 2014	FY 2015	2015 Biennium
Legislative Branch	\$508,039	\$681,232	\$1,189,271
Consumer Counsel	17,681	17,681	35,362
Judicial Branch	1,789,096	1,789,096	3,578,192
Governor's Office	196,326	196,326	392,652
Secretary of State's Office	339,851	339,851	679,702
Commissioner of Political Practices	74,040	74,040	148,080
State Auditor's Office	249,880	250,610	500,490
Office of Public Instruction	424,291	424,291	848,582
Department of Justice	3,715,779	3,753,111	7,468,890
Board of Crime Control	78,535	78,535	157,070
Public Service Commission	62,980	62,980	125,960
Board of Public Education	13,115	13,115	26,230
Commissioner of Higher Education	72,363	72,363	144,726
Montana University Systems	884,361	884,361	1,768,722
School for the Deaf and Blind	37,294	37,294	74,588
Montana Arts Council	36,819	36,819	73,638
Montana Library Commission	352,374	352,374	704,748
Montana Historical Society	157,641	157,641	315,282
Department of Fish, Wildlife, and Parks	1,355,555	1,355,555	2,711,110
Department of Environmental Quality	1,120,594	1,120,594	2,241,188
Department of Transportation	4,068,389	3,949,492	8,017,881
Department of Livestock	187,626	187,626	375,252
Department of Natural Resources and Conservation	1,550,822	1,550,822	3,101,644
Department of Revenue	2,477,344	2,477,344	4,954,688
Department of Administration	2,862,260	2,862,260	5,724,520
Office of the Public Defender	657,284	657,284	1,314,568
Montana State Fund	411,945	411,945	823,890
Montana Public Employee Retirement System	333,169	333,169	666,338
Teachers' Retirement System	57,384	57,384	114,768
Department of Agriculture	254,153	254,153	508,306
Department of Corrections	1,717,856	1,717,856	3,435,712
Department of Commerce	568,801	568,801	1,137,602
Department of Labor and Industry	3,693,184	3,872,586	7,565,770
Department of Military Affairs	121,553	121,553	243,106
Department of Public Health and Human Services	7,583,631	7,557,176	15,140,807
	<u>\$38,032,015</u>	<u>\$38,277,320</u>	<u>76,309,335</u>

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	37.00	37.00	37.00	37.00	37.00	37.00	0.00	0.00%
Personal Services	2,464,400	2,704,811	2,650,564	2,651,864	5,169,211	5,302,428	133,217	2.58%
Operating Expenses	920,956	719,479	1,019,195	1,016,511	1,640,435	2,035,706	395,271	24.10%
Total Costs	\$3,385,356	\$3,424,290	\$3,669,759	\$3,668,375	\$6,809,646	\$7,338,134	\$528,488	7.76%
State Special	3,385,356	3,424,290	3,669,759	3,668,375	6,809,646	7,338,134	528,488	7.76%
Total Funds	\$3,385,356	\$3,424,290	\$3,669,759	\$3,668,375	\$6,809,646	\$7,338,134	\$528,488	7.76%

Program Description

The Banking and Financial Division licenses, supervises, regulates, and examines financial institutions doing business in Montana. Those institutions include:

- Banks and trust companies
- Credit unions
- Consumer finance companies
- Sales finance companies
- Deferred deposit lender
- Escrow companies

The division also licenses and examines mortgage brokers and broker branch offices, mortgage lenders and lender branch offices, mortgage servicers and mortgage servicer branch offices, and mortgage loan originators.

The safety and soundness of Montana state chartered banks and credit unions, which hold over \$25 billion in assets as of July, 2012, is supervised by the division. Supervision of regulated financial institutions is accomplished primarily through examinations. Banks are statutorily required to be examined at least once every 24 months. Credit unions are examined at least once in every 18-month intervals. Consumer loan, mortgage broker, deferred deposit loan, title loan companies, escrow companies, and sales finance companies may be examined at any time.

The examinations investigate the methods of operation and review compliance with state and federal financial and banking laws. The supervision assures the protection of bank and credit union depositors and determines whether the institutions are operating in a safe and sound manner. The division examines mortgage brokers and loan originators to assure disclosures are provided to Montana borrowers in accordance with federal and state laws. In addition, the division provides a consumer complaint process to the general public to assist with the resolution of complaints against the financial institutions under its regulation.

The State Banking Board is administratively attached to the division. The board is responsible for making final determinations of applications for new bank charters and trust companies; hearing appeals of division decisions on branch bank, merger, or relocation applications; and acting in an advisory capacity with respect to the duties and powers given by statute to the department.

Program Highlights

Banking and Financial Division Major Budget Highlights	
♦	The division is solely funded through state special revenues from fees paid by regulated financial institutions
♦	Statewide present law adjustments for the division increase personal services due to high turnover of bank examiner positions

Program Narrative

Personal services increase between biennia due to high turnover in the division during FY 2012. In FY 2012, 32.4% of the division's 37 positions were vacant at least 21.7% of the year. According to the division, significant recruitment and retention problems exist within the division due in part to the pay freeze. Other issues related to staff retention include:

- Significant travel associated with examinations
- Workplace conditions as bank examiners may generate concern and anxiety among the bank employees being examined

The division has several measures in place to address the issue including:

- Career tracks for bank examiners
- Alternate work schedules
- Compensation based on the number of nights an individual is on the road

A portion of the increase in personal services was offset by the application of an additional 2% vacancy savings for the department. The reduction calculated for state special revenue funds was included in the Banking and Financial Division. However, the legislature included language that allows the department to allocate the reduction across the various divisions. This means that the amount of the reduction allocated to Banking and Financial Division will be changed when the department establishes its operating plan budgets at the beginning of the fiscal year.

Operating costs increase mainly due to ongoing support and maintenance costs for a new database purchased in FY 2012. A portion of the additional costs were included in the base budget. The database has ongoing support features including data synchronization with the federally mandated National Mortgage Licensing System. The legislature approved an additional \$184,000 for the associated costs over the 2015 biennium.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Banking And Financial Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
02077 Financial Institutions Div	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
Total All Funds	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division is funded solely by state special revenues generated from assessments, application fees, and examination fees paid by the regulated financial institutions.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	3,385,356	3,385,356	6,770,712	92.27%
Statewide PL Adjustments	0	0	0	0.00%	280,742	279,971	560,713	7.64%
Other PL Adjustments	0	0	0	0.00%	6,920	6,354	13,274	0.18%
New Proposals	0	0	0	0.00%	(3,259)	(3,306)	(6,565)	(0.09%)
Total Budget	\$0	\$0	\$0		\$3,669,759	\$3,668,375	\$7,338,134	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					395,822					397,226
Vacancy Savings					(114,399)					(114,456)
Inflation/Deflation					(1,831)					(1,091)
Fixed Costs					1,150					(1,708)
Total Statewide Present Law Adjustments										
	\$0		\$280,742	\$0	\$280,742		\$0	\$279,971	\$0	\$279,971
DP 50 - Initial Motion for FY 2012 Base	0.00	0	(280,742)	0	(280,742)	0.00	0	(279,971)	0	(279,971)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	281,423	0	281,423	0.00	0	282,770	0	282,770
DP 52 - Adjustment for Statewide Operations	0.00	0	(192)	0	(192)	0.00	0	(2,319)	0	(2,319)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	6,431	0	6,431	0.00	0	5,874	0	5,874
Total Other Present Law Adjustments										
	0.00	\$0	\$6,920	\$0	\$6,920	0.00	\$0	\$6,354	\$0	\$6,354
Grand Total All Present Law Adjustments										
	0.00	\$0	\$287,662	\$0	\$287,662	0.00	\$0	\$286,325	\$0	\$286,325

DP 50 - Initial Motion for FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the department's indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

New Proposals

New Proposals		Fiscal 2014				Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
14	0.00	0	(95,259)	0	(95,259)	0.00	0	(95,306)	0	(95,306)
DP 1401 - Licensing and Enforcement System Maintenance										
14	0.00	0	92,000	0	92,000	0.00	0	92,000	0	92,000
Total	0.00	\$0	(\$3,259)	\$0	(\$3,259)	0.00	\$0	(\$3,306)	\$0	(\$3,306)

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 1401 - Licensing and Enforcement System Maintenance - The legislature approved the Banking and Financial Division request for \$184,000 for the 2015 biennium for ongoing support, maintenance, and hosting of the COTS database. The division's current fee structure supports this project and no fee increases are anticipated. Cost savings would be recognized by improved efficiency, improved communication with customers, and increased security of sensitive documents. The project is part of the overall department's IT strategic plan.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	31.50	31.50	31.50	31.50	31.50	31.50	0.00	0.00%
Personal Services	1,791,766	1,800,905	1,794,578	1,795,998	3,592,671	3,590,576	(2,095)	(0.06%)
Operating Expenses	5,564,778	5,360,851	3,075,681	2,963,996	10,925,629	6,039,677	(4,885,952)	(44.72%)
Equipment & Intangible Assets	19,500	42,077	19,500	19,500	61,577	39,000	(22,577)	(36.66%)
Debt Service	89,977	85,827	89,977	89,977	175,804	179,954	4,150	2.36%
Total Costs	\$7,466,021	\$7,289,660	\$4,979,736	\$4,869,471	\$14,755,681	\$9,849,207	(\$4,906,474)	(33.25%)
State Special	0	0	0	0	0	0	0	n/a
Other	7,466,021	7,289,660	4,979,736	4,869,471	14,755,681	9,849,207	(4,906,474)	(33.25%)
Total Funds	\$7,466,021	\$7,289,660	\$4,979,736	\$4,869,471	\$14,755,681	\$9,849,207	(\$4,906,474)	(33.25%)

Program Description

The Montana State Lottery (lottery) was created in November 1986 by a referendum vote of the people of Montana. The general purpose is to allow lottery games in which players purchase from the State, through the administration of the lottery, a chance to win a prize. A five-member Lottery Commission, appointed by the Governor, sets policy and oversees program activities and procedures.

Lottery's operations are accounted for in an enterprise fund type. The lottery receives no funding from the State of Montana but rather generates money for the state general fund. Lottery is required to transfer its net revenue to the general fund on a quarterly basis.

The Montana State Lottery is attached to the Department of Administration for administrative purposes only.

Program Highlights

Montana State Lottery Major Budget Highlights	
♦	The legislature approved \$0.5 million in one-time-only funding to lease lottery equipment in FY 2014
♦	\$2.9 million annually was eliminated from the HB 2 budget due to the passage and approval of HB 20, which provided a statutory appropriation for lottery vendor fees

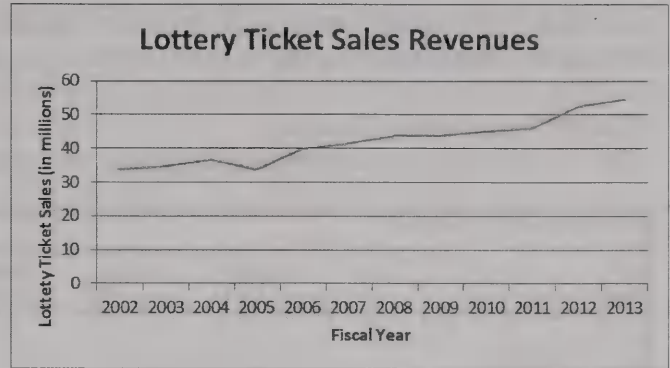
Program Narrative

In FY 2012 the Montana State Lottery transferred \$500,000 in state lottery enterprise fund authority from FY 2013 to FY 2012. The transfer was needed due to:

- Increased lottery sales and a corresponding increase in vendor fees, which are 5.8% of every dollar in lottery sales
- Increased instant (scratch) ticket stock to provide for game sales in June 2012

The legislature approved a supplemental appropriation to increase FY 2013 proprietary appropriations for the Montana State Lottery by \$2.0 million. The increased funding provided for increased lottery sales and increases in vendor fees in FY 2013.

The figure shows the lottery ticket sales between FY 2002 and FY 2013. Generally sales of lottery tickets have maintained a steady increase, requiring supplemental appropriations for vendor fees in both the 2011 and 2013 biennia. To address ongoing issues with increased lottery ticket sales requiring supplemental appropriations due to increased operating costs associated with vendor fees, the legislature passed HB 20. The bill statutorily appropriates the vendor fees rather than including them as part of HB 2. As a result, the legislature also decreased the operating costs of the lottery that were included in HB 2 by \$2.98 million each year of the biennium.



The figure below shows general fund deposits from lottery profits over the last five years. The lottery deposited \$13.0 million of net revenues into the general fund in FY 2012, which was a 23.0% increase from the previous year. During the period of the Great Recession, the profits declined, not rebounding until FY 2012. Part of the reason for the significant increase in FY 2012 was the national publicity surrounding the large jackpot for one of the MegaMillions lottery games. However, lottery ticket sales have continued at a higher pace than forecasted since.

Department of Administration Montana State Lottery Profits to the General Fund		
Fiscal Year	Actual	% Change
FY 2008	\$11,029,000	
FY 2009	10,136,000	-8.10%
FY 2010	10,631,000	4.88%
FY 2011	10,611,000	-0.19%
FY 2012	13,061,000	23.09%

FY 2013 lottery sales revenues are on track to exceed FY 2012 revenues by about \$3.0 million.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Montana State Lottery							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%		
06001 State Lottery Fund	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%	23-7-402	Direct
Total All Funds	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%		
Percent - Total All Sources	12.4%	0.0%	87.6%				

House Bill 2 Funding

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund and by law its funding for operations must be appropriated by the legislature.

Statutory Appropriations

About 80% of the funding for the lottery is statutorily appropriated for lottery prizes and commissions paid to lottery ticket or chance sales agents. In FY 2012 the operating costs for these expenditures increased more than 15% due to increased lottery ticket sales. The legislature adopted and the Governor approved HB 20, which provides that lottery contract fees are statutorily appropriated rather than included in HB 2. The change reduced the proprietary funding

included in HB 2 for the program by \$5.9 million over the 2015 biennium. This funding is now included in the legislative budget as part of the statutory appropriations for the program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	7,466,021	7,466,021	14,932,042	151.61%
Statewide PL Adjustments	0	0	0	0.00%	51,307	(58,372)	(7,065)	(0.07%)
Other PL Adjustments	0	0	0	0.00%	445,827	445,241	891,068	9.05%
New Proposals	0	0	0	0.00%	(2,983,419)	(2,983,419)	(5,966,838)	(60.58%)
Total Budget	\$0	\$0	\$0		\$4,979,736	\$4,869,471	\$9,849,207	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					77,541					79,021
Vacancy Savings					(74,729)					(74,789)
Inflation/Deflation					(2,771)					(1,321)
Fixed Costs					51,266					(61,283)
Total Statewide Present Law Adjustments										
		\$0	\$0	\$0	\$51,307*		\$0	\$0	\$0	(\$58,372)*
DP 50 - Initial Motion to FY 2012 Base										
	0.00	0	0	0	(51,307)*	0.00	0	0	0	58,372*
DP 51 - Adjustment for Statewide Personal Services										
	0.00	0	0	0	2,812*	0.00	0	0	0	4,232*
DP 52 - Adjustment for Statewide Operations										
	0.00	0	0	0	48,874*	0.00	0	0	0	(62,233)*
DP 102 - Allocate Department Indirect/Admin Costs										
	0.00	0	0	0	(2,552)*	0.00	0	0	0	(3,130)*
DP 1501 - Montana Lottery Coronis MP Terminals(OTO)										
	0.00	0	0	0	448,000*	0.00	0	0	0	448,000*
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$0	\$445,827*	0.00	\$0	\$0	\$0	\$445,241*
Grand Total All Present Law Adjustments										
	0.00	\$0	\$0	\$0	\$497,134*	0.00	\$0	\$0	\$0	\$386,869*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the department's indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

DP 1501 - Montana Lottery Coronis MP Terminals(OTO) - The legislature provided a one-time-only appropriation of \$896,000 to lease 150 additional Coronis MP Terminals for the 2015 biennium. The lottery will acquire the terminals from its gaming contractor, Intralot, under an operating lease. Increasing the availability of these terminals allows for greater access to terminals to increase sales and net proceeds.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 1502 - Reduce Lottery Vendor Fees - HB 20										
15	0.00	0	0	0	(2,983,419)*	0.00	0	0	0	(2,983,419)*
Total	0.00	\$0	\$0	\$0	(\$2,983,419)*	0.00	\$0	\$0	\$0	(\$2,983,419)*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).




DP 1502 - Reduce Lottery Vendor Fees - HB 20 - The legislature approved reductions for operating expenses due to the passage and approval of HB 20, which statutorily appropriates lottery contractor fees previously included in the FY 2012 base budget for the Montana State Lottery.

Program Description

The Health Care and Benefits Division provides state employees, retirees, members of the Legislature, judges and judicial branch employees, and their dependents with group benefits in an efficient manner and at an affordable cost by administering a solvent, prudent benefits program. The division administers benefits plans including health, dental, prescription drug, life, long-term care, vision coverage, long-term disability, flexible spending accounts, a sick leave fund, employee assistance services, health promotion, and a voluntary employee benefit health care expense trust. The division administers a lease and contract to provide daycare services for Helena area state employees. Finally, the division is responsible for the centralized oversight and management of workers' compensation related matters impacting the state as an employer.

Employee benefits are governed by 2-18-701 et seq., 2-18-801 et seq., 2-18-1101 et seq., 2-18-1301 et seq., and 33-2-712, MCA. The Montana Safety Culture Act as it applies to state government is found in 39-71-1501 et seq.

Program Highlights

Health Care & Benefits Division Major Budget Highlights	
	The Health Care and Benefits Division is entirely funded with proprietary funds
	The legislature included administrative costs of the state employee benefit plan in HB 2 as required by statute, however the Governor line-time vetoed the funding
	The legislature approved increases of 10% each year of the biennium to the state share contributions in HB 13. The employer state share partially funds the cost of the state employee group health care

Program Narrative

Statute requires that the administrative costs of the State Employee Group Benefit Plan (SEGBP) be included in HB 2. The legislature approved including personal service costs to support 19.64 FTE, operating expenses associated with administration, and benefit and claims costs for the wellness programs offered by the plan in HB 2. Operating expenses include:

- \$4.7 million over the biennium for consulting and professional services
- \$3.8 million over the biennium for third party administrator fees for managed care plans

The legislature approved increased personal services for 6.00 FTE that were added in FY 2012 including:

- Computer Supervisor – 1.00 FTE
- Computer Support Specialist – 1.00 FTE
- Benefit Technician – 2.00 FTE
- Accounting Technician – 1.00 FTE
- Public Relations Specialist – 1.00 FTE

In previous biennia, under a memorandum of understanding the division paid the salaries and benefits of 4.00 FTE to the State Human Resources Division (SHRD) and the individuals worked for the Health Care and Benefits Division. As part of the transfer the legislature approved a decrease in operating costs. The reimbursements to the SHRD were recorded as operating costs by HCBD. The other two positions were transferred from the General Services Division.

Governor Bullock line-itemed vetoed the inclusion of the funding in the bill stating that language included in HB 2 addressing the state share of employee benefits was sufficient to meet the statutory requirements to include the administrative costs of the SEGBP as temporary appropriations.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Health Care & Benefits Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$0	\$374,069,986	\$0	\$374,069,986	100.0%		
06027 Flexible Spending Funds	\$0	\$14,523,400	\$0	\$14,523,400	3.9%		
06559 Group Benefits Claims A/c	\$0	\$359,000,559	\$0	\$359,000,559	96.0%		
06575 Workers' Comp Management	\$0	\$546,027	\$0	\$546,027	0.1%		
Total All Funds	\$0	\$374,069,986	\$0	\$374,069,986	100.0%		
Percent - Total All Sources	0.0%	100.0%	0.0%				

As shown above, the division is entirely funded from proprietary funds. The various accounts provide for two programs and a third function within the division:

- Health Care Benefits Bureau provides oversight and administrative functions for the state employee group benefit plan, including administration of health, dental, life insurance, and flexible spending accounts. It is funded from the Group Benefits Claims A/c, an account used for the administrative costs of the bureau and benefit and claim costs
- Workers' Compensation Management Bureau is the central resource for state agencies in working to:
 - Enhance worker safety
 - Provide for loss-prevention
 - Develop and provide return-to-work programs
 - Coordinate workers' compensation coverage and policy management issues
- Flexible spending funds account for employee deductions for flexible spending, including medical and child care

Proprietary Rates

Proprietary Program Description

The Healthcare and Benefits Division manages two proprietary programs:

- Health care benefits for employees, which includes the state's health and other benefit insurance plans, and contract administration of the flexible spending accounts
- Management of the state agency workers' compensation insurance

The 2013 biennium budget for the three proprietary funds supporting these programs are shown on the following page.

Department of Administration Health Care and Benefits Division Proprietary Program Costs - Non HB 2					
Program/Costs	Actual FY 2012	Estimated FY 2013	Budgeted FY 2014	Budgeted FY 2015	% of Total
<u>Health Care Administration</u>					
FTE	19.64	13.87	19.64	19.64	
Personal Services	\$1,329,567	\$964,753	\$1,315,575	\$1,318,363	0.70%
Operating Costs	<u>1,009,068</u>	<u>1,675,407</u>	<u>1,119,550</u>	<u>1,111,350</u>	<u>0.60%</u>
Subtotal Health Care Administration	2,338,635	2,640,160	2,435,125	2,429,713	1.30%
<u>Employee Benefits Program</u>					
Personal Services	0	0	0	0	0.00%
Operating Costs	5,904,551	6,752,440	6,159,551	6,159,551	3.29%
Other Benefits*	4,395,437	1,849,171	4,395,437	4,395,437	2.35%
Medical Services and Dental Benefits	110,154,328	131,091,948	121,345,575	128,357,950	66.75%
Prescription Benefits	<u>26,963,676</u>	<u>30,288,788</u>	<u>38,154,922</u>	<u>45,167,298</u>	<u>22.27%</u>
Subtotal Employee Benefits Program	147,417,992	169,982,347	170,055,485	184,080,236	94.67%
<u>Flexible Spending Accounts</u>					
Personal Services	0	0	0	0	0.00%
Operating Expenses	138,515	175,482	138,515	138,515	0.07%
Reimbursements to Plan Members	<u>7,123,185</u>	<u>8,396,323</u>	<u>7,123,185</u>	<u>7,123,185</u>	<u>3.81%</u>
Subtotal Flexible Spending Account Expenses	7,261,700	8,571,805	7,261,700	7,261,700	3.88%
<u>Workers' Compensation Management</u>					
Personal Services	255,636	213,899	235,842	236,389	0.13%
Operating Costs	<u>31,528</u>	<u>200,697</u>	<u>36,945</u>	<u>36,851</u>	<u>0.02%</u>
Subtotal Workers' Compensation Management	287,164	414,596	272,787	273,240	0.15%
Total Operating Expenses - Non HB 2	<u>\$157,305,491</u>	<u>\$181,608,908</u>	<u>\$180,025,097</u>	<u>\$194,044,889</u>	<u>100.00%</u>
* Other benefits include vision care, long term care, long term disability, life insurance, and general benefits					

The budget for the Employee Benefits Program is about 95% of the 2015 biennium budget. The majority of the costs are medical, dental, and prescription services for plan members. The flexible spending accounts program is about 4% of the total with the majority of the expenses related to employee reimbursements for child care costs and medical cost reimbursements. The Workers' Compensation Management Program coordinates state agency workers' compensation coverage and policy management issues.

Employee Benefits Program - 06559

Program Description

The Health Care and Benefits Bureau manages the following:

- State employee group benefit health plan
- State employee sick leave fund
- Employee assistance services
- Health promotion
- Voluntary employee benefit health care expense trust

Prior to the 2015 biennium budget, the administrative costs of the program were not included in HB 2. The legislature included the costs in the appropriations bill as required by statute. However, the Governor removed the appropriations from HB 2 by a line-item veto.

Program Narrative

Expenses

Significant costs for the program include:

- \$341.8 million in benefits and claims over the 2015 biennium including:
 - \$247.3 million for projected medical and dental claims – an increase of 10.27% above the FY 2012 base amount in FY 2014 and 16.7% in FY 2015
 - \$83.3 million for projected prescription drug payments – an increase of 41.5% above the FY 2012 base amount in FY 2014 and 67.5% in FY 2015

Primary cost drivers for both medical and dental claims and prescription drug payments are projected costs and service utilization. The projected budget anticipates cost increases of \$58.8 million over the biennium for medical and prescription drug cost and utilization increases compared to the FY 2012 base budget of \$141.5 million. By comparison the projected budget increase for the 2013 biennium was \$57.8 million over the biennium compared to a base budget of \$101.4 million.

Higher costs in the base year were driven by higher incurred medical payments. Measurements related to medical costs for the 2012 plan year include:

- Medical expenses per eligible participant were 0.2% lower when compared to 2011 plan year
- Prescription costs were 11.0% higher when compared to the 2011 plan year
- Dental claims were 2.0% higher when compared to the 2011 plan year
- Medical paid claims loss ratio of 88.2% compared to 84.0% for the 2011 plan year for active employees. A loss ratio is the amount of health care costs incurred during the year compared to the amount of premium
- Medical paid claims loss for retirees included:
 - Early retirees medical paid loss ratio of 156.0% compared to 147.6% a year ago
 - Retirees eligible for Medicare medical paid loss ratio of 80.6% compare to 72.6% a year ago

Revenues

The State Employee Group Benefit Plan is self-insured, and as such is responsible for medical costs incurred by its members. The health plan is funded by the state (employer share) and premium payments by members. As a component of employee compensation, the state contribution amount is a subject of collective bargaining and is negotiated as part of the overall pay package for state employees. The state share in the 2013 biennium was \$733 per month and is established in 2-18-703(2), MCA. HB 13 included increases of 10% per year for the employer share of the health plan increasing the per month allotment to:

- \$806 per month per employee in FY 2014
- \$887 per month per employee in FY 2015

The figure below shows the estimated premium revenues for the State Employee Group Benefit Plan and the various revenue sources.

Department of Administration Health Care and Benefits Division Estimated Premium Revenues				
	FY 2014 (in millions)	% of total Revenues	FY 2015 (in millions)	% of total Revenues
State Share Included In HB 2	\$121.0	73.3%	\$121.0	69.14%
State Share Included in HB 13	5.5	3.3%	14.9	8.51%
Additional Employee Premiums and Investment	38.5	23.3%	39.1	22.34%
Estimated Premium Revenues	\$165.0	100.0%	\$175.0	100.00%

As shown, plan revenues from premiums are estimated at \$165.0 million in FY 2014 and \$175.0 million in FY 2015. The state share for the state employee group health plan is budgeted at \$121.0 million in both FY 2014 and FY 2015 in HB 2 and provides the majority of the funding for the program. HB 13 includes an additional \$5.5 million in FY 2014 and \$14.9 million in FY 2015 for anticipated premium increases, with the remainder primarily from additional premiums paid by members including retirees and investment income.

Proprietary Rates

For the 2015 biennium, the following rates are included in HB 13 and are shown below. The rates charged in the base year are shown for comparison purposes.

Department of Administration Health Care and Benefits Division				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
State share per employee per month	\$733	\$733	\$806	\$887
Rates are established to maintain adequate actuarial reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average monthly state share rate for each fiscal year as required in statute.				

The rates shown above are the state contribution for each state employee each month. The rates are contained in the pay plan (HB 13) and are include in statute. The various premium costs for the program are not limited through the legislative process but are determined by the division based on actuarial estimates of the claims costs for each insurance type. Any difference between the state contribution and actual costs are made up by employee premiums and investment income. As the plan year for the state employee health insurance is a calendar year, the revenues for the plans are a combination of premiums from two plan years.

Workers' Compensation Management Program – 06575

Program Description

The Health Care & Benefits Division manages the Workers' Compensation Management Program. The program assists employees and state agencies in ensuring a safe working environment and reducing on-the-job injuries and accidents in the workplace, and assists employees who are injured in returning to work. The program is the central resource in working with the state's workers' compensation insurer, Montana State Fund, to coordinate workers' compensation coverage and policy management issues.

*Program Narrative*Expenses

Significant costs for the program are for:

- o Personal services of \$472,231 over the biennium
- o Operating costs of \$73,796 over the biennium

Revenues

The workers' compensation management program fees are composed of a fixed cost rate allocated to each state agency based on the average number of payroll warrants issued each pay period. The rate in HB 2 is \$0.82 for each payroll warrant in FY 2014 and FY 2015.

Proprietary Rates

For the 2015 biennium the following rates were adopted by the legislature as shown below. The rates charged in the 2013 biennium are shown for comparison purposes.

Department of Administration Health Care and Benefits Bureau Workers' Compensation Management Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Administrative Fee (per payroll warrant per pay period)	\$1.09	\$1.08	\$0.82	\$0.82
Program rates have been established to maintain a 60-day working capital. The rates are to be paid by state agencies and are based on a projected number of payroll warrants to be issued.				
Note: This analysis does not include OPEB expenses.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Flexible Spending Account Program – 06027*Program Description*

The Flexible Spending Account Program allows employees to defer part of their gross pay into an account for reimbursement of qualified:

- o Medical expenses
- o Childcare expenses

Program Narrative

HCBD contracts to administer a flexible spending account program for state employees, who can set aside a certain amount of their pay into accounts for costs throughout the year. The "set aside" funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims for allowable expenses to use funds deposited into the accounts. Employees forfeit any unspent funds.

Federal rules govern the use of and the amount that can be contributed to flexible spending accounts. The current contribution maximums are \$2,500 per year for medical and \$5,000 per year for dependent care.

Expenses

Significant costs for the program are for the administration contract.

Revenues

The flexible spending account program is funded from an administrative fee of \$2.26 per month on each account. The fee was waived in the 2013 biennium. At times the flexible spending account program has accumulated additional funds due to forfeited funds. In the 2013 biennium the program used the additional funds to waive the monthly \$2.26 fee charged to participants.

Proprietary Rates

For the 2015 biennium the legislature adopted the rates as shown below. The rates charged in the base year are shown for comparison purposes.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Department of Administration Health Care and Benefits Division Flexible Spending Account Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Administrative Fee (per member per month)	\$0.00	\$0.00	\$2.26	\$2.26
Administrative fees charged and collected from plan participants are determined through the competitive bid process as part of the selection of a plan administrator.				

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	18.21	18.21	18.21	18.21	18.21	18.21	0.00	0.00%
Personal Services	1,165,887	1,315,245	1,380,827	1,380,997	2,481,132	2,761,824	280,692	11.31%
Operating Expenses	396,099	470,211	456,570	454,172	866,310	910,742	44,432	5.13%
Total Costs	\$1,561,986	\$1,785,456	\$1,837,397	\$1,835,169	\$3,347,442	\$3,672,566	\$325,124	9.71%
General Fund	1,561,986	1,785,456	1,837,397	1,835,169	3,347,442	3,672,566	325,124	9.71%
Total Funds	\$1,561,986	\$1,785,456	\$1,837,397	\$1,835,169	\$3,347,442	\$3,672,566	\$325,124	9.71%

Program Description

The State Human Resources Division (SHRD) provides statewide human resource services and programs under the authority of Title 2, Chapter 18, and 39-31-301, MCA. The division houses the following programs:

- Human Resources Policy and Programs (HRPP) Bureau. The bureau establishes the human resource rules, policies and standards for Montana's executive branch
- Office of Labor Relations, representing the governor's office in all matters relating to collective bargaining
- Professional Development Center (PDC), offering training and other professional development services to Montana state government and other organizations
- Human Resources Information Services Bureau, supplying payroll and other HR information systems for all branches of state government

Program Highlights

State Human Resources Division Major Budget Highlights	
◆	The majority of the funding for this program is from non-budgeted proprietary funds that are included in the proprietary rate section of HB 2
◆	Personal services cost increases are included as part of statewide present law adjustments
◆	The legislature did not approve a proposal to change the funding mechanism for the Professional Development Center, retaining a tuition cost per student per class revenue methodology

Program Narrative

As shown in the funding table about a third of the SHRD budget is provided through general fund appropriated in HB 2, including the budgets for the:

- Human Resources Policy Program
- State Office of Labor Relations

The majority of the increases included in the 2015 biennium budget impact personal services. The personal services budget increases 11.31% as shown in the budget comparison table when compared to the 2013 biennium and includes the following changes:

- Reclassification of one position
- Salary increases, including longevity and broadband pay adjustments
- Vacancy savings rate of 12.86% compared to a budgeted rate of 4%
- Transfer of 0.51 FTE to the State Accounting Division

The legislature approved the changes through adoption of the statewide present law adjustments.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Human Resources Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,672,566	\$0	\$0	\$3,672,566	33.4%		
Proprietary Total	\$0	\$7,307,168	\$0	\$7,307,168	66.6%		
06525 Intergovernmental Training	\$0	\$777,202	\$0	\$777,202	7.1%		
06563 Payroll Fund	\$0	\$6,529,966	\$0	\$6,529,966	59.5%		
Total All Funds	\$3,672,566	\$7,307,168	\$0	\$10,979,734	100.0%		
Percent - Total All Sources	33.4%	66.6%	0.0%				

HB 2

General fund supports the operations of Human Resources Policy Program and the State Office of Labor Relations.

Proprietary Funding

The majority of the division budget is supported by proprietary funds that fund two programs:

- Professional Development Center (PDC)
- Human Resource Information Services (HRIS) bureau

The PDC is supported through fees in the form of tuition paid by state agencies that enroll employees in the various classes provided by PDC and fees for other services offered by the PDC. The HRIS bureau is funded through a fee charged state agencies for each employee payroll processed in a pay period. Both of these funds are considered and approved as rates charged to other state agencies and are discussed in the "Proprietary Rates" section of the narrative.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,561,986	1,561,986	3,123,972	85.06%	1,561,986	1,561,986	3,123,972	85.06%
Statewide PL Adjustments	269,199	267,266	536,465	14.61%	269,199	267,266	536,465	14.61%
Other PL Adjustments	6,212	5,917	12,129	0.33%	6,212	5,917	12,129	0.33%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$1,837,397	\$1,835,169	\$3,672,566		\$1,837,397	\$1,835,169	\$3,672,566	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				272,473					272,651	
Vacancy Savings				(57,533)					(57,541)	
Inflation/Deflation				77					239	
Fixed Costs				54,182					51,917	
Total Statewide Present Law Adjustments										
	\$269,199	\$0	\$0	\$269,199		\$267,266	\$0	\$0	\$267,266	
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(269,199)	0	0	(269,199)	0.00	(267,266)	0	0	(267,266)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	214,940	0	0	214,940	0.00	215,110	0	0	215,110
DP 52 - Adjustment for Statewide Operations										
	0.00	54,478	0	0	54,478	0.00	52,370	0	0	52,370
DP 102 - Allocate department indirect/admin costs										
	0.00	5,993	0	0	5,993	0.00	5,703	0	0	5,703
Total Other Present Law Adjustments										
	0.00	\$6,212	\$0	\$0	\$6,212	0.00	\$5,917	\$0	\$0	\$5,917
Grand Total All Present Law Adjustments										
	0.00	\$275,411	\$0	\$0	\$275,411	0.00	\$273,183	\$0	\$0	\$273,183

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate department indirect/admin costs - The legislature funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

Proprietary Rates

The State Human Resources Division provides the following programs funded through proprietary rates:

- Professional Developmental Center, which trains state employees
- Human Resource Information Services, including payroll and benefits eligibility processing

Professional Development Center/Training Program - 06525*Program Description*

The Professional Development Center (PDC) program provides training and related services throughout locations in Montana. The PDC offers training directed toward improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design.

Program Narrative

The legislature rejected a proposal by the executive to change the methodology used to fund the PDC. The executive proposed to charge each agency budget an annual per employee charge rather than base the revenues on enrollment fees for the various classes offered to employees. Instead the legislature elected to continue tuition rates established for the 2013 biennium as the proprietary rate used to provide for the expenses of the program.

Expenses

Significant costs for the program are for:

- Personal services of \$0.4 million over the biennium
- Operating costs of almost \$0.3 million over the biennium

Revenues

In the 2015 biennium, two sources of revenue cover the personal services and operating expenses for the PDC:

- Open-enrollment fees, which is a per-person tuition charged for attendance. Tuition rates are based on two factors: 1) projected attendance; and 2) competitive pricing. Tuition rates for the 2013 biennium were based on the proportion of fixed and personal services costs to the overall anticipated program cost. The amount per person varies by length of the course and number of people attending from a single agency.
- Contract fees, which is a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract.

Proprietary Rates

For the 2015 biennium the rates approved by the legislature are shown below. The rates charged in the base year are shown for comparison purposes and reflect the legislature's decision to use the FY 2013 tuition rates to fund the program in the 2015 biennium.

Department of Administration State Human Resource Division Professional Development Center				
	Actual FY 12	Projected FY 13	Projected FY 14	Projected FY 15
Fee Group A				
Training Services per hour				
Open Enrollment Courses				
Two-Day Course (per participant)	\$187.00	\$190.00	\$190.00	\$190.00
One-Day Course (per participant)	120.00	123.00	123.00	123.00
Half-Day Course (per participant)	93.00	95.00	95.00	95.00
Eight-Day Management Series (per participant)	565.00	570.00	570.00	570.00
Six-Day Management Series (per participant)	465.00	440.00	440.00	440.00
Four-Day Administrative Assistant Series (per participant)	330.00	333.00	333.00	333.00
Contract Courses				
Full Day Training (flat fee)	825.00	830.00	830.00	830.00
Half Day Training (flat fee)	\$565.00	\$570.00	\$570.00	\$570.00
The Training Program determines rates by analyzing its billable staff hours, overhead costs, and variable costs which are directly associated with providing a specific training service. Service fees include an allocation of total overhead costs based on an estimate of total billable hours during the year. Rates are established to build up to a 60-day working capital.				
Note: This analysis does not include OPEB expenses.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

HRIS Bureau - 06563*Program Description*

The Human Resources Information Services (HRIS) operates the payroll, benefits, and human resources system of the State Accounting Budgeting and Human Resources (SABHRS). SABHRS is used to process, distribute, report, and account for payroll, benefits and associated withholding and deductions for over 13,500 state employees in the executive, legislative, and judicial branches. The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits (group insurance, FSA, deferred compensation, and pension) classification, pay, labor relations, policy, and training.

Program Narrative

During FY 2012 the State Human Resource Division transferred 4.0 FTE to the Health Care and Benefits Division (HCBBD) and 0.68 FTE to the Director's Office. The 4.0 FTE that were transferred to the HCBBD had previously worked for HCDB under a memorandum of understanding. The result of the transfer is that the expenses for personal services included in the HRIS Bureau have decreased by \$244,500 a year.

Expenses

Significant costs for the program are for:

- Personal services of \$3.3 million over the biennium for 23.29 FTE
- Operating costs of \$3.2 million over the biennium including a \$29,200 increase for projected license and maintenance fee increases for SABHRS-HR software

Revenues

The revenues are collected from two sources: 1) central payroll processing fees are assessed to each agency based on the average number of paychecks processed during the prior two fiscal years; and 2) costs associated with processing the benefit eligibility elections for the 35,000 plan members are collected from the Health Care and Benefits Division.

Proprietary Rates

For the 2015 biennium the rates approved by the legislature are shown below. The rates charged in the base year are shown for comparison purposes.

Department of Administration State Human Resources Division Human Resource Information Services				
	Actual FY 12	Projected FY 13	Projected FY 14	Projected FY 15
Fee Group A				
HRIS fees (per employee processed per	\$8.06	\$8.10	\$8.13	\$8.15
Health Resources Information Services (HRIS) rates have been established under the authority of 2-18-401, MCA, and 2-18-403, MCA. Projected HRIS expenditures anticipated for the 2013 biennium are distributed as a fixed cost fee to the Health Care Benefits Division for services rendered by HRIS to support benefit operations associated with managing the state's payroll system; and as a fixed cost rate to state agencies based on an estimated average number of payroll warrants/advice per pay period per agency. The agencies' payroll warrant/advice counts are based upon FY 2011 and FY 2012 data.				
Note: This analysis does not include OPEB expenses.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Description

The Risk Management & Tort Defense Division administers a comprehensive plan of property/casualty insurance protection on behalf of state government. The division purchases commercial insurance, where cost-effective, to cover catastrophic losses above high deductibles. State risks that are currently insured through commercial insurance carriers include aircraft, airports, boilers & machinery, bonds (various), crime, fine art, property, professional liability, and miscellaneous. The state self-insures most commercial insurance risks under \$500,000 per occurrence as well as auto, general liability, inland marine (i.e. property in-transit), mobile/specialized equipment, and foster care risks. The division also provides consultative services that include training, inspections, program reviews, contract administration, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss. The division investigates, evaluates, and resolves tort claims (i.e. personal injury or property damage to third parties) and coordinates the adjudication and settlement of other claims involving property damage. This division operates under the authority of §2-9-101 through §2-9-305, MCA.

Program Highlights

Risk Management & Tort Defense Major Budget Highlights	
◆	The division is solely funded through proprietary funds generated through state agencies and the Montana University System premium payments
◆	The legislature increased insurance costs to state agencies by \$2.8 million each year of the biennium or 24.1 %
◆	The legislature approved \$13.4 million in the supplemental bill (HB 3) to replenish the fund following payments awarded as part of a settlement in the Libby asbestos lawsuit

Program Narrative

The state of Montana self-insures for risks including automobile, aviation, general liability, and property. State agencies and the Montana University System pay premiums to the Risk Management and Tort Defense Division (division). General liability claims include settlements of lawsuits in which the state is found at fault. In September 2011 Judge Sherlock approved a \$43.0 million settlement with the victims in Libby who had been impacted by asbestos. \$26.8 million of the settlement was paid from the State Property/Casualty Insurance Fund (fund).

The effect the settlement payment of \$26.8 million for Montana asbestos victims had on the fund was that it:

- Eliminated reserves for all insurance risks for FY 2012, not only general liability but automobile, aviation, and property
- Reduced assets in the account to \$3.5 million at the end of FY 2012
- Created an unfunded liability of (\$17.1) million at FYE 2012

In addition a large hail storm in Bozeman resulted in high property claims for the state buildings in the area, most notably the campus of the Montana State University.

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. Payments for claims and the operational expenses incurred by the division are expended from the fund. In addition, reserves for each insurance risk are maintained within the fund. Reserves are used for higher than anticipated claims costs or loss adjustment expenses and for incurred but not yet reported claims. The legislature approved \$13.4 million in general fund in the supplemental bill (HB 3) to pay a portion of the state's settlement costs on the Libby asbestos case. The funding will be deposited into the proprietary fund and used to:

- Restore reserves for automobile, aviation, and property risks
- Reduce the unfunded liability for general liability to an estimated (\$7.1) million at FYE 2015

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Risk Management & Tort Defense							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$0	\$0	\$900,000	\$900,000	3.3%		
02098 Insurance Proceeds - State B	\$0	\$0	\$900,000	\$900,000	3.3%	2-17-105	Direct
Proprietary Total	\$0	\$26,761,885	\$0	\$26,761,885	96.7%		
06532 Agency Insurance Int. Svc.	\$0	\$26,761,885	\$0	\$26,761,885	96.7%		
Total All Funds	\$0	\$26,761,885	\$900,000	\$27,661,885	100.0%		
Percent - Total All Sources	0.0%	96.7%	3.3%				

It should be noted that the \$13.4 million in general fund approved in HB 3 is not included in the table.

Proprietary Funding

The majority of the division budget is supported by proprietary funds that are derived from premium assessments on insurance risks paid by state agencies and the Montana University System. These funds are considered and approved as rates charges to other state agencies and are discussed in the "Proprietary Rates" section of the narrative.

Statutory Appropriations

Less than 4% of the division's funding is derived from statutory appropriations for the receipts of insurance reimbursements on state agency buildings.

Proprietary Rates**Agency Insurance Internal Service - 06532***Program Description*

The Risk Management and Tort Defense Division administers a comprehensive plan of property and casualty insurance protection on behalf of state government.

Program Narrative

In September 2011 Judge Sherlock approved a \$43.0 million settlement with victims in Libby who had been impacted by asbestos. \$26.8 million of the settlement was paid from the State Property/Casualty Insurance Fund (fund). The payment resulted in an unfunded liability within the fund of (\$17.1) million and eliminated reserves for all four insurance risks within the program.

The legislature approved a two-step process to reduce the unfunded liability and establish reserves for the various risks:

- o Increased premium rates for state agencies' general liability insurance by 20% compared to those charged in the 2013 biennium
- o Included \$13.4 million in general fund in HB 3 as a supplemental appropriation

The effect of the process is that reserves for automobile, aviation, and property insurance risks will be reestablished to the level prior to the settlement payment. For general liability, given the increased premium revenues and establishment of reserves for the other risks, the unfunded liability for the program is estimated to be (\$7.1) million at the end of FY 2015.

Expenses

Significant costs for the program are for:

- Personal services of \$2.4 million for 17.00 FTE over the biennium
- Operating expenses of \$11.8 million over the biennium including
 - \$5.6 million for commercial insurance
 - \$3.4 million for legal fees and court costs
 - \$0.5 million for application development of computer systems
- Benefits and claims costs estimated at \$11.5 million over the biennium

Payments for claims and the operational expenses incurred by the division are expended from the fund. In addition, reserves for each insurance risk are maintained within the fund. Reserves are used for higher than anticipated claim costs or loss adjustment expenses and for incurred but not yet reported claims.

Revenues

Montana self-insures its insurance risks for automobile, aviation, general liability, and property via this program so all state agencies pay insurance premiums to the Risk Management and Tort Defense Division. Depending on the type of property owned or on the agency's claims history, insurance premiums paid by agencies can vary.

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. Budget authority to pay insurance premiums is a fixed cost item in the agencies' budgets. The statewide fixed cost in the legislative budget increases from the 2013 biennium due to an increase in all insurance risks.

The legislature approved rate increases insurance costs to state agencies by \$2.8 million each year of the biennium or 24.1 %. Increases by risk are shown in the figure.

Premiums for the 2015 biennium are apportioned based upon exposure and uniform reductions in loss experience as follows:

- Automobile - comprised of two separate components: 1) comprehensive and collision based upon total values of reported vehicles; and 2) auto liability premium based upon agency losses and the number of vehicles reported
- Aviation - allocated to those agencies that have aircraft based upon charges from commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports based upon the number of airports
- General Liability - comprised of commercial coverage, which is based on commercial coverage negotiated with commercial insurance carriers and self-insured
- Property - allocated to each agency based on its percentage of reported exposures (e.g. building replacement cost values, boilers and machinery, etc.).

Department of Administration Risk Management and Tort Defense Division Changes to Premium Costs for State Agencies		
Insurance Risk	FY 2014	FY 2015
Auto/Comp/Collision	\$217,153	\$217,153
Aviation	(42,490)	(42,490)
General Liability	1,350,000	1,350,000
Property/Miscellaneous	<u>1,306,980</u>	<u>1,306,980</u>
Total Increase	<u>\$2,831,643</u>	<u>\$2,831,643</u>

Proprietary Rates

For the 2015 biennium the rates adopted by the legislature are shown on the following page. The rates charged in the base year are shown for comparison purposes.

Department of Administration Risk Management and Tort Defense Division				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Premium				
Auto/Comp/Collision	\$1,031,347	\$1,037,665	\$1,248,500	\$1,248,500
Aviation	212,451	212,451	169,961	169,961
General Liability	6,750,000	6,750,000	8,100,000	8,100,000
Property/Miscellaneous	<u>3,733,020</u>	<u>3,783,090</u>	<u>5,040,000</u>	<u>5,040,000</u>
Total	<u>\$11,726,818</u>	<u>\$11,783,206</u>	<u>\$14,558,461</u>	<u>\$14,558,461</u>

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	7.50	7.50	7.50	7.50	7.50	7.50	0.00	0.00%
Personal Services	384,342	450,541	463,044	463,753	834,883	926,797	91,914	11.01%
Operating Expenses	77,083	88,728	87,477	86,802	165,811	174,279	8,468	5.11%
Local Assistance	15,764	5,073	15,764	15,764	20,837	31,528	10,691	51.31%
Total Costs	\$477,189	\$544,342	\$566,285	\$566,319	\$1,021,531	\$1,132,604	\$111,073	10.87%
General Fund	477,189	544,342	566,285	566,319	1,021,531	1,132,604	111,073	10.87%
Total Funds	\$477,189	\$544,342	\$566,285	\$566,319	\$1,021,531	\$1,132,604	\$111,073	10.87%

Program Description

The State Tax Appeal Board, established by Article VIII, Section 7, of the Montana Constitution and 15-2-101, MCA, provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation, and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage and copies, but excluding office equipment.

Program Highlights

State Tax Appeal Board Major Budget Highlights	
♦	The increase is due to statewide present law adjustments

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Tax Appeal Board							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,132,604	\$0	\$0	\$1,132,604	100.0%		
Total All Funds	\$1,132,604	\$0	\$0	\$1,132,604	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The board is fully funded with general fund. General fund also provides support for travel expenses, compensation, and all other incidental expenses of county tax appeal boards, except that counties fund office and equipment expenses of their respective county boards.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	477,189	477,189	954,378	84.26%	477,189	477,189	954,378	84.26%
Statewide PL Adjustments	85,707	85,837	171,544	15.15%	85,707	85,837	171,544	15.15%
Other PL Adjustments	3,389	3,293	6,682	0.59%	3,389	3,293	6,682	0.59%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$566,285	\$566,319	\$1,132,604		\$566,285	\$566,319	\$1,132,604	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					97,976					98,715
Vacancy Savings					(19,274)					(19,304)
Inflation/Deflation					29					63
Fixed Costs					6,976					6,363
Total Statewide Present Law Adjustments										
	\$85,707		\$0	\$0	\$85,707		\$85,837	\$0	\$0	\$85,837
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(85,707)	0	0	(85,707)	0.00	(85,837)	0	0	(85,837)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	78,702	0	0	78,702	0.00	79,411	0	0	79,411
DP 52 - Adjustment for Statewide Operations										
	0.00	7,095	0	0	7,095	0.00	6,514	0	0	6,514
DP 102 - Allocate Department Indirect/Admin Costs										
	0.00	3,299	0	0	3,299	0.00	3,205	0	0	3,205
Total Other Present Law Adjustments										
	0.00	\$3,389	\$0	\$0	\$3,389	0.00	\$3,293	\$0	\$0	\$3,293
Grand Total All Present Law Adjustments										
	0.00	\$89,096	\$0	\$0	\$89,096	0.00	\$89,130	\$0	\$0	\$89,130

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	52.00	52.00	49.00	49.00	52.00	49.00	(3.00)	(5.77%)
Estimated Impact of HB 2*			(2.13)	(2.13)		(2.13)	(2.13)	
Net Estimated FTE*			46.87	46.87		46.87	(5.13)	
Personal Services	2,934,154	3,330,923	3,335,321	3,334,984	6,265,077	6,670,305	405,228	6.47%
Operating Expenses	3,753,374	6,998,401	6,947,031	7,114,590	10,751,775	14,061,621	3,309,846	30.78%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	10,039,832	17,837,755	20,729,505	19,351,870	27,877,587	40,081,375	12,203,788	43.78%
Benefits & Claims	183,921	0	358,921	358,921	183,921	717,842	533,921	290.30%
Total Costs	\$16,911,281	\$28,167,079	\$31,370,778	\$30,160,365	\$45,078,360	\$61,531,143	\$16,452,783	36.50%
General Fund	3,166,889	3,204,433	6,461,219	5,460,749	6,371,322	11,921,968	5,550,646	87.12%
State Special	3,556,214	8,193,567	7,331,881	6,903,918	11,749,781	14,235,799	2,486,018	21.16%
Federal Special	10,188,178	16,769,079	17,577,678	17,795,698	26,957,257	35,373,376	8,416,119	31.22%
Total Funds	\$16,911,281	\$28,167,079	\$31,370,778	\$30,160,365	\$45,078,360	\$61,531,143	\$16,452,783	36.50%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Agency Mission: The Department of Commerce through its employees, community partners, public outreach, and media contacts enhances economic prosperity in Montana; fosters community lead diversification and sustainability of a growing economy; maintains and improves our infrastructure, housing and facilities; and promotes and enhances Montana's positive national and international image. The Department of Commerce will enhance and sustain a healthy economy so Montana businesses, communities, and people can prosper.

The Department is composed of nine major divisions as follows:

Business Resources Division

- Board of Research and Commercialization Technology
- State Tribal Economic Development Commission
- Regional Development Bureau
- Census and Economic Information Center
- Trade and International Relations Bureau
- Small Business Development Center Bureau

Montana Promotion Division

- Tourism Marketing and Promotion
- Film Marketing and Promotion
- Tourism Development and Education
- Industry Services and Operations

Energy Promotion & Development Division**Community Development Division**

- Community Development Block Grant Program
- Community Technical Assistance Program
- Treasure State Endowment Program
- Neighborhood Stabilization Program

- Coal Board
 - Hard Rock Mining Impact Board
- Montana Facility Finance Authority

Housing Division

- Board of Housing
- Housing Assistance Bureau

Board of Investments

Montana Heritage Commission

Director's Office

- Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information
- Quality Schools Program
- Montana Council on Developmental Disabilities

The Department of Commerce encompasses a number of programs that provide grant administration, federal program administration, state initiatives, and investment services in order to diversify and expand the state's economic base through business creation, expansion, and retention and improvement of infrastructure, housing, and facilities.

Agency Highlights

Department of Commerce Major Budget Highlights	
◆	<p>The overall budget increases 36.5% or \$16.5 million, including \$5.6 million in general fund. Increased general fund is primarily due to the net of three factors:</p> <ul style="list-style-type: none"> • A new Native Language Preservation Program • Continued funding of economic development programs that had been funded as one-time-only in previous biennia • Elimination in this agency of the Energy and Promotion Development Division (a portion was transferred to the Governor's Office)
◆	<p>Federal grant funding increases \$8.4 million including:</p> <ul style="list-style-type: none"> • Community Development Block Grants • Emergency Home Loan Program • Home grants ▪ Board of Housing Foreclosure Mitigation

Summary of Legislative Action

The department receives an overall increase of \$16.5 million in the 2015 biennium when compared to the 2013 biennium. \$2.8 million of the increase in general fund is due to continued funding of programs that have been funded as one-time-only for several biennia. These are not included in the base budget, but are included in appropriation authority for the next biennium. Another \$2.0 million of the increase is for a one-time-only appropriation for the Native Language Preservation Program.

The Energy Promotion and Development Division is not funded, resulting in general fund reduction of \$1.0 million. The legislature did provide funding for personal services supporting 2.0 FTE and associated operating expenses to the Office of Economic Development in the Governor's Office. The purpose of the funding was to provide resources for economic development of energy resources within the Governor's Office.

The Main Street Program is not funded, resulting in general fund savings of \$0.3 million. Because this program had been previously funded as one-time-only neither the funding nor the associated 1.0 FTE appear in the 2013 biennium figure in the main table on the previous page.

The personal services budget for the 2015 biennium increases due to:

- An overall vacancy savings rate of 5.66% compared to a budgeted 4% vacancy rate
- Annualization of broadband pay increases that were granted throughout FY 2012

Operating expenses increases include \$3.5 million in additional support for loans made through the various programs in the Business Resource Division. Grants increase between biennia in part due to reinstatement of Indian Country Economic Development Program and the Primary Business Sector Training Program.

Committee Bills Recommended by the Joint Appropriations Subcommittee on General Government

The Joint Appropriation Subcommittee on General Government requested and the legislature approved two committee bills related to the Department of Commerce:

- HB 15 School Facilities and Technology Account – the legislature amended HB 15 to include prioritization of the distributions made from the account to ensure that debt service support for school construction projects and statutory appropriations for the technology fund are paid for first if funding from the account is not sufficient for all projected uses. The Governor line item vetoed the changes, referring to the changes as “riders”. As of this writing a veto override poll has been sent to legislators.
- SB 236 Coal severance tax allocations to the Coal Board – the legislature approved continuing the coal severance tax allocation at 5.8% rather than reduce it to 2.9% after September 2013. The Governor vetoed the bill, and as of this writing a poll is being conducted to determine if the legislature will override the Governor's veto.

Boilerplate

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 2.13 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$11,921,968	\$0	\$9,499,862	\$21,421,830	8.4%
State Special Total	14,235,799	-	65,111,667	79,347,466	31.3%
Federal Special Total	35,373,376	-	2,140,402	37,513,778	14.8%
Proprietary Total	-	112,311,794	2,939,462	115,251,256	45.5%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$61,531,143</u>	<u>\$112,311,794</u>	<u>\$79,691,393</u>	<u>\$253,534,330</u>	
Percent - Total All Sources	24.3%	44.3%	31.4%		

More than 75% of the overall funding for the Department of Commerce is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as a statutory appropriation. Within HB 2, the legislature restored two programs that were funded with one-time-only general fund appropriations by the 2011 Legislature. Per state statute, one-time-only appropriations are excluded from the base expenditures for biennial budget projections. The legislature restored the programs as listed below but maintained them as one-time-only appropriations:

- Primary Business Sector Training - \$2.8 million for the 2015 biennium with \$1.2 million general fund and \$1.6 million state special revenue funds
- Tribal Economic Development - \$1.6 million general fund for the 2015 biennium

General fund also supports the Census and Economic Information Center, Regional Development Bureau, trade and international relations activities, Entrepreneur Development Program /NxLevel, Native Language Preservation Program, and the Made in Montana program; and provides match for the federal Community Development Block Grant. \$9.5 million of general fund is transferred to the Research and Commercialization Program and statutorily appropriated as state special revenue.

State special revenues provided in HB 2 support the Primary Business Sector Training Program, the Microbusiness Loan Program, the Coal Board, the Hard Rock Mining Board, and quality school project administrative costs. Statutory appropriations support the Montana Promotion Division, research and commercialization, the Treasure State Endowment Program, the Distressed Wood Products Program, the quality school project grants and the Montana Heritage Commission. The Montana Heritage Commission is funded with several statutory appropriations including \$400,000 in lodging use facility taxes received each year, a portion of light vehicle registrations, and revenues generated by Virginia and Nevada cities as well as Reeder's Alley. The funding supports 12.00 FTE and the operational costs of operating the historic properties.

Federal special revenues include the Community Development Block Grant, Small Business Development Centers, and various programs for housing.

A significant portion of the funding for the agency is non-budgeted proprietary funding. Proprietary funds are discussed in detail in the narrative sections of each program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,166,889	3,166,889	6,333,778	53.13%	16,911,281	16,911,281	33,822,562	54.9
Statewide PL Adjustments	362,802	358,993	721,795	6.05%	738,472	685,937	1,424,409	2.3
Other PL Adjustments	5,969	10,185	16,154	0.14%	9,658,066	9,501,583	19,159,649	31.1
New Proposals	2,925,559	1,924,682	4,850,241	40.68%	4,062,959	3,061,564	7,124,523	11.5
Total Budget	\$6,461,219	\$5,460,749	\$11,921,968		\$31,370,778	\$30,160,365	\$61,531,143	

The majority of the changes in the budget were contained in other present law adjustments including cost adjustments for grant administration and federal grants to other entities. New proposals include funding of Indian County Economic Development Grants, primary business sector training, biomedical research grants, and matching funding for the Montana Small Business Innovation Research Program and the Small Business Technology Program.

Other Legislation

HB 11 – This bill appropriates \$33.98 million in funding over the biennium to support the Treasure State Endowment Program (TSEP). TSEP provides funding for local government infrastructure projects.

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 218 – This bill authorized the Department of Commerce to issue grants to assist local governments with infrastructure and other needs as a result of oil and gas impacts. The grants are supported through the establishment and appropriation of oil and gas impact account using general fund and federal mineral leasing revenues as the funding source. The Governor vetoed the bill, and as of this writing a poll is being conducted to determine if the legislature will override the Governor's veto.

SB 136 – This bill increases the amount of fund available from the permanent coal tax trust fund for the Montana Veterans' Home Loan Mortgage Program by an additional \$15 million. The Board of Housing administers the loan program.

SB 410 – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	52.00	56.50	49.00	(7.50)	56.50	49.00	(7.50)	
Estimated Impact of HB 2*			(2.13)	(2.13)		(2.13)	(2.13)	
Net Estimated FTE*			46.87	(9.63)		46.87	(9.63)	
Personal Services	2,934,154	3,906,085	3,335,321	(570,764)	3,906,222	3,334,984	(571,238)	(1,142,002)
Operating Expenses	3,753,374	7,059,324	6,947,031	(112,293)	7,227,876	7,114,590	(113,286)	(225,579)
Equipment & Intangible Assets	0	0	0	0	0	0	0	0
Grants	10,039,832	19,304,505	20,729,505	1,425,000	17,926,870	19,351,870	1,425,000	2,850,000
Benefits & Claims	183,921	358,921	358,921	0	358,921	358,921	0	0
Total Costs	\$16,911,281	\$30,628,835	\$31,370,778	\$741,943	\$29,419,889	\$30,160,365	\$740,476	\$1,482,419
General Fund	3,166,889	6,859,281	6,461,219	(398,062)	5,859,717	5,460,749	(398,968)	(797,030)
State/Other Special	3,556,214	6,162,775	7,331,881	1,169,106	5,735,329	6,903,918	1,168,589	2,337,695
Federal Special	10,188,178	17,606,779	17,577,678	(29,101)	17,824,843	17,795,698	(29,145)	(58,246)
Total Funds	\$16,911,281	\$30,628,835	\$31,370,778	\$741,943	\$29,419,889	\$30,160,365	\$740,476	\$1,482,419

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature made the following adjustments that differed from the executive request:

- Increased funding for the primary business sector training program by \$0.4 million each year of the biennium and provided \$0.6 million in general fund and \$0.8 million from the Employment Security Account in the state special revenue fund to support the program
- Provided \$0.1 million over the biennium to support the Montana Manufacturing Extension Center at MSU-Bozeman
- Provided \$2.0 million over the biennium to support the Native Language Preservation Program, which will be administered by the State-Tribal Economic Development Commission
- Eliminated funding for the Energy Promotion and Development Division. General fund of \$0.5 million each year of the biennium provided for personal services supporting 5.00 FTE and operating expenses of the program
- Did not provide \$0.3 million in general fund for the Main Street Program as proposed by the executive
- Switched funding for the administrative costs of the Quality Schools Program from general fund to the School Facility and Technology Account
- Required an additional vacancy savings of 2% applied to HB 2 positions

Language and Statutory Authority

The legislature included the following language in HB 2.

"Business Resources Division includes a reduction in general fund of \$23,145 in fiscal year 2014 and \$23,155 in fiscal year 2015, state special revenue of \$14,536 in fiscal year 2014 and \$14,503 in fiscal year 2015, and federal special revenue of \$30,866 in fiscal year 2014 and \$30,883 in FY 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.84	20.84	22.84	22.84	20.84	22.84	2.00	9.60%
Personal Services	1,174,751	1,438,014	1,559,390	1,559,988	2,612,765	3,119,378	506,613	19.39%
Operating Expenses	2,417,014	4,333,439	4,331,822	4,544,472	6,750,453	8,876,294	2,125,841	31.49%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	941,092	3,348,507	6,779,625	5,779,951	4,289,599	12,559,576	8,269,977	192.79%
Total Costs	\$4,532,857	\$9,119,960	\$12,670,837	\$11,884,411	\$13,652,817	\$24,555,248	\$10,902,431	79.85%
General Fund	1,844,043	1,861,084	5,758,968	4,758,880	3,705,127	10,517,848	6,812,721	183.87%
State Special	1,064,998	2,204,807	2,983,248	2,982,853	3,269,805	5,966,101	2,696,296	82.46%
Federal Special	1,623,816	5,054,069	3,928,621	4,142,678	6,677,885	8,071,299	1,393,414	20.87%
Total Funds	\$4,532,857	\$9,119,960	\$12,670,837	\$11,884,411	\$13,652,817	\$24,555,248	\$10,902,431	79.85%

Program Description

The Business Resources Division (BRD) is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, the Governor's Office, the legislature, economic and community development partners, other department divisions, state agencies, and federal and private programs, the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts.

Program Highlights

Business Resources Division Major Budget Highlights	
◆ General fund increases mainly due to:	
• Continued funding of programs that have been funded as one-time-only in previous biennia including Indian county economic development and primary business sector training and new proposals	
◆ New proposals include:	
• Montana Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR) matching fund	
• Biomedical Research Grants	
• Native American native language preservation	

Program Discussion

Personal services changes are due to increases and partially offsetting decreases, including:

- Broadband pay adjustments
- Restoring vacancies from an overall vacancy savings rate in the base year of 23.3% compared to a budgeted 4% rate in the 2015 biennium
- Additional vacancy savings of 2% for HB 2 positions recorded in BRD's budget. The legislature granted the agency authority to allocate the reduction among all HB 2 programs within the agency
- Changes in the level of support for eliminated and additional FTE including:
 - 1.00 FTE for the Indian Country Economic Development Program
 - 2.00 FTE for the Primary Business Sector Training Program

- 0.50 FTE for the Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR)
- (1.50) FTE reduction for vacant positions that are no longer funded in this budget

Operating costs increase due to adjustments to costs for administrative expenses such as loans for community development block grants and increased appropriation authority for federal grants.

General fund for the program increases significantly due in part to restoration of one-time-only funding for:

- Economic development for tribal businesses - \$1.6 million
- Primary business sector grants for new and existing Montana businesses to train new employees - \$1.2 million

In addition, the legislature approved \$0.75 million for match funding for the federal SBIR/STTR programs, \$1.0 million to provide grants for biomedical research, \$2.0 million to support a Native American language preservation program, and \$0.1 million for a grant to the Montana Manufacturing Extension Center at MSU-Bozeman.

State special revenues increases are related to administrative cost adjustments and use of the Employment Security Account to support the Primary Business Sector Training Program. Federal revenues increase due to additional support for the various federal grant programs within the division.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Business Resources Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$10,517,848	\$0	\$9,499,862	\$20,017,710	38.9%		
State Special Total	\$5,966,101	\$0	\$15,265,748	\$21,231,849	41.3%		
02090 Business Asst-private	\$180,017	\$0	\$0	\$180,017	0.3%		
02094 Distressed Wood Match	\$0	\$0	\$24,030	\$24,030	0.0%	90-1-504	Direct
02100 Distressed Wood State	\$0	\$0	\$999,532	\$999,532	1.9%	90-1-50	Direct
02116 Accommodation Tax Account	\$0	\$0	\$300,000	\$300,000	0.6%	15-65-121	Direct
02210 Microbusiness Admin Acct	\$203,797	\$0	\$0	\$203,797	0.4%		
02212 Microbusiness Loan Acct	\$3,972,191	\$0	\$0	\$3,972,191	7.7%		
02258 Employment Security Account	\$1,600,000	\$0	\$0	\$1,600,000	3.1%		
02557 Research & Commercialization	\$0	\$0	\$7,300,000	\$7,300,000	14.2%	90-3-1003	Direct
02563 Nat'l Dev. Cncl Training Funds	\$90	\$0	\$0	\$90	0.0%		
02771 Economic Development Trust Fund	\$0	\$0	\$6,642,186	\$6,642,186	12.9%	90-1-205	Direct
02848 Sbdc Private Revenue Nonfed	\$10,006	\$0	\$0	\$10,006	0.0%		
Federal Special Total	\$8,071,299	\$0	\$2,140,402	\$10,211,701	19.8%		
03059 Community Development Block	\$5,211,065	\$0	\$0	\$5,211,065	10.1%		
03061 Eda Revolving Loan Fund	\$801,020	\$0	\$0	\$801,020	1.6%		
03092 Distressed Woods Federal	\$0	\$0	\$2,140,402	\$2,140,402	4.2%	90-1-504	Direct
03207 Small Business Dev. Centers	\$1,473,098	\$0	\$0	\$1,473,098	2.9%		
03233 Instep/epscor Funds	\$50,018	\$0	\$0	\$50,018	0.1%		
03932 Cdbg Rlf	\$536,098	\$0	\$0	\$536,098	1.0%		
Total All Funds	\$24,555,248	\$0	\$26,906,012	\$51,461,260	100.0%		
Percent - Total All Sources	47.7%	0.0%	52.3%				

HB 2 Funding

General fund supports a number of functions including technology and biomedical research programs, the Montana Capital Investment Board, the Census and Economic Information Center, tribal economic development, the Made in Montana program, regional development programs, and international relations programs. The general fund increase is primarily due to continued funding for economic development programs that had been designated as one-time-only in the previous biennia.

State special revenues include authority for loans made through the Small Business Development Center to micro-business development centers.

Federal special revenues are mainly comprised of federal funding for community development block grants.

Statutory Appropriations

Over half of the funding in the Business Resource Division is statutorily appropriated, including general fund of \$7.3 million for the research and commercialization account. The state special revenue funds in the research and commercialization account are also statutorily appropriated resulting in the same funds being appropriated twice. HB 18, a bill requested by the Legislative Finance Committee to transfer the general fund to the state special revenue fund rather than appropriate it in accordance with state accounting policy, was passed by the legislature but vetoed by the Governor.

Additional general fund is statutorily provided for business and economic development programs. Other state special revenues include funding for the Distressed Wood Products Program and the economic development trust fund account that receives interest and income from the coal tax trust.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,844,043	1,844,043	3,688,086	35.07%	4,532,857	4,532,857	9,065,714	36.92%
Statewide PL Adjustments	150,022	148,460	298,482	2.84%	358,752	352,039	710,791	2.89%
Other PL Adjustments	(36,952)	(35,468)	(72,420)	(0.69%)	3,222,775	3,443,056	6,665,831	27.15%
New Proposals	3,801,855	2,801,845	6,603,700	62.79%	4,556,453	3,556,459	8,112,912	33.04%
Total Budget	\$5,758,968	\$4,758,880	\$10,517,848		\$12,670,837	\$11,884,411	\$24,555,248	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
Fiscal 2014					Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				412,665					413,434
Vacancy Savings				(63,483)					(63,516)
Inflation/Deflation				(236)					(46)
Fixed Costs				9,806					2,167
Total Statewide Present Law Adjustments	\$150,022	\$26,650	\$182,080	\$358,752		\$148,460	\$25,994	\$177,585	\$352,039
DP 50 - Initial Motion to FY 2012 Base	0.00	(150,022)	(26,650)	(182,080)	0.00	(148,460)	(25,994)	(177,585)	(352,039)
DP 51 - Adjustment for Statewide Personal Services	0.00	142,053	82,040	125,089	0.00	142,353	82,213	125,354	349,920
DP 52 - Adjustment for Statewide Operations	0.00	5,167	2,985	4,551	0.00	2,107	1,220	1,853	5,180
DP 53 - Base Funding Switch	0.00	4,076	(57,639)	53,563	0.00	5,245	(56,719)	51,474	0
DP 5103 - BRD Administrative Costs Adjustments - HB 2	0.00	(38,226)	1,105,400	552,468	0.00	(36,713)	1,105,644	771,064	1,839,995
DP 5104 - BRD Federal Grants Adjustments - HB 2	0.00	0	0	1,600,000	0.00	0	0	1,600,000	1,600,000
Total Other Present Law Adjustments	0.00	(\$36,952)	\$1,106,136	\$2,153,591	0.00	(\$35,468)	\$1,106,364	\$2,372,160	\$3,443,056
Grand Total All Present Law Adjustments	0.00	\$113,070	\$1,132,786	\$2,335,671	0.00	\$112,992	\$1,132,358	\$2,549,745	\$3,795,095

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 5103 - BRD Administrative Costs Adjustments - HB 2 - The legislature provided additional funding for ongoing expenses on grants received by the Business Resources Division. Included in the adjustment are contracts with three eastern Montana Certified Regional Development Corporations (CRDC) to provide a plan for impacts of energy development in eastern Montana, per diem for the Economic Development Advisory Council board members, costs for recording revolving loans, and costs associated with adjusting ongoing federal appropriations for grants received by the Business Resources Division. State special revenue support is provided from the microbusiness loan account.

DP 5104 - BRD Federal Grants Adjustments - HB 2 - The legislature adopted additional federal appropriations for grants received by the Business Resources Division to match estimated available federal funds for the 2015 biennium for federally funded programs.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
51	0.00	(23,145)	(14,536)	(30,866)	(68,547)	0.00	(23,155)	(14,503)	(30,883)	(68,541)
DP 5101 - BRD Indian Country Economic Development (OTO)										
51	1.00	800,000	0	0	800,000	1.00	800,000	0	0	800,000
DP 5102 - BRD Primary Business Sector Training (Biennial/OTO)										
51	2.00	600,000	800,000	0	1,400,000	2.00	600,000	800,000	0	1,400,000
DP 5106 - Montana SBIR/STTR Program (Restricted/Biennial)										
51	0.50	375,000	0	0	375,000	0.50	375,000	0	0	375,000
DP 5107 - BRD - Biomedical Research Grant (Biennial/ OTO)										
51	0.00	1,000,000	0	0	1,000,000	0.00	0	0	0	0
DP 5108 - MSU-Bozeman-Mt Manufacturing Extensn Ctr (Rst/OTO)										
51	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 5109 - Eliminate Funding for Vacant FTE/ Increase Operati										
51	(1.50)	0	0	0	0	(1.50)	0	0	0	0
DP 5110 - Native Language Preservation (Rsted/Biennial/OTO)										
51	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
Total	2.00	\$3,801,855	\$785,464	(\$30,866)	\$4,556,453	2.00	\$2,801,845	\$785,497	(\$30,883)	\$3,556,459

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 5101 - BRD Indian Country Economic Development (OTO) - The legislature provided support for the Tribal Economic Development Program, which provides resources to existing and new tribal businesses to expand operations and facilities, and train and employ new workers. The Tribal Economic Development Program assists by helping tribal members in Montana get hired into permanent full-time jobs, start their own businesses, and improve their economic circumstance.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification - One of the greatest economic development challenges that Montana faces is capitalizing on or creating opportunities for job creation and economic prosperity on Montana's Indian Reservations and with non-reservation tribal members.

According to the 2010 Census, there were 62,555 self-identified American Indians in Montana, or about 6.3% of the total population. Approximately 38,354 American Indians, or about 61.3%, lived on one of the seven reservations in the state. The Blackfeet and the Flathead reservations were the largest, with 8,944 and 7,042 American Indian residents, respectively. Rocky Boy's (3,221) and the Fort Belknap (2,704) reservations had the smallest number of American Indians residents.

Based upon the methodology used, the unemployment rate for Reservations in Montana has historically ranged from 15% to 30% using the Bureau of Labor Statistics methodology; and from 25% to 75% using Bureau of Indian Affairs methodology. Whichever methodology is used, these rates are considerably higher than the rest of the state, even in an economic downturn.

According to 1999 Census Bureau statistics, an estimated 30.6% of families are below the poverty level on reservations in Montana. A more recent 2008 survey of poverty in school districts (whose boundaries are on the reservations) estimate American Indian children ages 5-17 in families in poverty at:

- 0.5% of the families in school districts with boundaries on the Blackfeet reservation live in poverty of which 76.6% are Blackfeet families
- 27.5% of the families in school districts with boundaries on the Crow reservation live in poverty of which 82.9% are Crow families
- 21.2% of the families in school districts with boundaries on Flathead reservation live in poverty of which 23.6% are Confederated Salish & Kootenai Tribes families
- 28% of the families in school districts with boundaries on the Fort Belknap reservation live in poverty of which 59.8% are Fort Belknap Indian Community families
- 28.2% of the families in school districts with boundaries on the Fort Peck reservation live in poverty of which 48% are Fort Peck Assiniboine & Sioux families
- 33.5% of the families in school districts with boundaries on the Northern Cheyenne reservation live in poverty of which 63% are Northern Cheyenne families
- 22% of the families in school districts with boundaries on the Rocky Boy reservation live in poverty of which 42.8% are Chippewa Cree families

Project Outcomes - The goals of this program are to attract new and existing business investment on reservations in Montana. This new investment is in the form of business development, workforce training, tribal entrepreneurial training, feasibility studies and economic development needs surveys, start-up and expansion funds for tribal member-owned businesses, and other tribal priority business development projects.

Performance Criteria - Success of the ICED investment will be measured by tracking:

- Number of jobs created, retained, and/or trained through the project
- Number of tribal member businesses created or expanded through grant funding
- Number of tribal members enrolling in and graduating from Indianpreneurship training
- Amount of leveraged and matched funds
- Number of projects that meet or exceed their proposed goals

Milestones - Since the Montana Department of Commerce has been operating the Indian Country Economic Development Program since 2006, the key activities of the program have become well-established. An application process and guidelines have been developed and refined. The grant review committee has been established and has met to adopt the guidelines and to review and make grant awards. Contracts with the current grantees are in place.

FTE - The work is being performed by existing staff for the Montana Department of Commerce.

Funding - General fund is requested for this program. The Indian Country Economic Development Program is designed to promote progress in business and employment opportunities in Montana's reservation communities. The grant review committee may award grants to tribal governments and individual small business tribal members for proposals that start or expand businesses, assess business feasibility and needs, provide entrepreneurial and other necessary business training, or other projects that will have a systemic effect on the economic development opportunities for a specified reservation. A tribal government proposal is encouraged to provide a match of \$1 for every \$1 awarded. Match includes:

- Direct project-related costs such as new equipment, fixed assets, and buildings
- In-kind tribal government and administrative time dedicated to proposal development
- For individual tribal member businesses, the business owner must provide a 1:1 match including firm loan commitments and collateral (cash or in-kind)

Obstacles - The proposal has been implemented and is working efficiently since 2006.

Risk - Failing to renew the Indian Country Economic Development Program would reverse the measurable progress that has been made in developing economies of reservation communities. If the proposal is not adopted, the economies on Montana's Indian reservations will continue to lag behind the rest of Montana's economy. The elimination of economic development opportunities in tribal communities may cause the tribes to be more vulnerable to the current economic downturn. The economic status quo could result in increasing poverty and unemployment rates.

DP 5102 - BRD Primary Business Sector Training (Biennial/OTO) - The legislature provided funding for the Primary Sector Business Training Program to provide grant funds to new and existing Montana businesses to train new employees. The funding provided includes \$0.6 million in general fund each year and \$0.8 million in state special revenue from the Employment Security Account in the state special revenue fund. A seven member grant review committee consisting of both public and private members reviews application and allocates funding through the Department of Commerce.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification - The Primary Sector Business Training Program provides grant funds to new and existing Montana businesses to train employees in new jobs. This economic development tool is a catalyst for creating new, good jobs in Montana that pay benefits. Montana continues to struggle with low wages and under-trained workers.

The Primary Sector Business Training Program is needed to:

- Provide an essential incentive for new businesses to locate to Montana. State-supported worker training programs are among the incentives most important to expanding or relocating businesses
- Provide existing businesses with essential support to train employees in new jobs that allows them to expand their business in Montana without needing to leave the state

Project Outcomes - The goals of this program are:

- Attract new investment in Montana by providing support to train new employees in new jobs as a major incentive to relocate
- Assist new and existing businesses in creating new jobs that pay a minimum of the average weekly wage that meets or exceeds the lesser of 170% of Montana's current minimum wage or the current average weekly wage of the county

Performance Criteria - The following will be tracked and reported to measure success:

- Creation of eligible new jobs and the hiring of employees for those jobs
- Salaries of trainees and changes to salaries through the project
- Summaries of the training program as planned and as delivered
- Amount expended for training in a new job

Milestones - Since the Montana Department of Commerce has been operating the Primary Sector Business Training Program for the last four biennia, the key activities of the program have already been completed. There is an application process and guidelines that have been developed. A grant review committee has been established and has met to review and make grant awards. Contracts with current grantees are in place. Staff is continuing to work with potential applicants informing them that additional funding is being requested for the program that would be available at the beginning of the new biennium.

FTE - The work is being performed by existing staff of the Montana Department of Commerce.

Funding - General fund is requested for this program. The Primary Sector Business Workforce Training Act is designed to encourage the creation of good-paying jobs in primary sector businesses. The division may award workforce training grants to primary sector businesses that provide education or skills-based training to employees in new jobs. To be

potentially eligible for a grant, an applicant shall demonstrate that at least 50% of the applicant's sales will be from outside of Montana or that the applicant is a manufacturing company with 50% of its sales from companies that have 50% of their sales outside of Montana and shall meet at least one of various established criteria. The maximum grant award is \$5,000 for each full-time new job and \$2,500 for each part-time new job. The business is required to provide a match of at least \$1 for every \$3 awarded. The grant award may only be used for direct costs associated with education or skills-based training for employees in new jobs.

Obstacles - The proposal has been implemented and is working well.

Risk - The risks if the program is not funded are:

- o Loss of incentives to attract new business enterprises to Montana
- o Loss of a competitive recruitment and retention tool that almost all other states employ placing Montana at a disadvantage for expanded jobs and businesses
- o Montana workers will not receive training in new production methods on state of the art equipment and will not accrue skills that could benefit them throughout their working life

DP 5106 - Montana SBIR/STTR Program (Restricted/Biennial) - The legislature provided a biennial appropriation of \$750,000 to fund the existing Montana SBIR/STTR program. The funding will be used to provide matching funds to businesses that have been awarded federal grants to conduct feasibility research or to develop commercially viable innovations based on the research.

DP 5107 - BRD - Biomedical Research Grant (Biennial/ OTO) - The legislature approved a biennial appropriation of one-time-only funding to provide grant funding to support biomedical research. The funding may be used to expand, renovate, and purchase equipment for biomedical research or to expand infrastructure.

DP 5108 - MSU-Bozeman-Mt Manufacturing Extensn Ctr (Rst/OTO) - The legislature approved funding a grant to the Montana Manufacturing Extension Center at MSU-Bozeman.

DP 5109 - Eliminate Funding for Vacant FTE/ Increase Operati - During FY 2012 the program used the funding provided by personal services vacancies to provide for operational costs. In calculating administrative cost adjustments included in DP 5103, the program included reductions for the operational costs related to the funding generated by the vacancies. The legislature removed funding for 1.50 FTE that were vacant in FY 2012 reducing personal services. The legislature further increased funding for operating expenses for the program.

DP 5110 - Native Language Preservation (Rsted/Biennial/OTO) - The legislature provided \$1.0 million in general fund each year of the biennium for a pilot program to preserve Native American languages of the various tribes in Montana. As part of the project, native speakers fluent in the Native American languages will be recorded and written materials developed to allow younger generations of the various tribes and others to develop language skills for the various Native American languages. The funding is designated as one-time-only so that the project results may be reported to the next legislature and other funding sources for ongoing projects identified. The State-Tribal Economic Development Commission is to administer the program.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Operating Expenses	173,344	770,192	786,229	750,000	943,536	1,536,229	592,693	62.82%
Total Costs	\$173,344	\$770,192	\$786,229	\$750,000	\$943,536	\$1,536,229	\$592,693	62.82%
State Special	173,344	770,192	786,229	750,000	943,536	1,536,229	592,693	62.82%
Total Funds	\$173,344	\$770,192	\$786,229	\$750,000	\$943,536	\$1,536,229	\$592,693	62.82%

Program Description

The Montana Promotion Division strives to strengthen Montana's economy through increased visitor travel, visitor expenditures, and film production in the state. The division is responsible for implementing and promoting a positive brand image for Montana as a vacation destination and works to ensure brand consistency amongst its marketing and promotional efforts. The division focuses on attracting high value, low impact geotraveler visitors who contribute to Montana's economic and social prosperity while respecting and appreciating Montana's authentic natural and cultural assets. This program goal is accomplished through various marketing efforts, networking with the state's public and private sector tourism and recreation industry and agencies, along with education and development assistance. The division works to project a positive image of the state through consumer advertising, electronic marketing, public relations efforts, international and domestic group travel marketing, printing and distribution of literature, staffing support and training of professional travel counselors, assisting in the development of tourism infrastructure and marketing to motion picture and television production companies. The division provides training and assistance to the Montana tourism industry, administers, and distributes event marketing and infrastructure grants and oversees expenditures of six regional non-profit corporations and the twelve qualified convention and visitors bureaus.

Program Highlights

Montana Promotion Division Major Budget Highlights	
◆	Over 96% of the Montana Promotion Division budget, including 28.50 FTE, is supported by statutory appropriations not reflected in HB 2
◆	The increase of 62.8% from the 2013 biennium is due to statewide present law adjustments and an increase in private funds authority

Program Narrative

The legislature approved increasing the HB 2 budget for private funds for the Montana Promotion Division to the historical level of \$750,000 each year of the biennium, resulting in the increase of 63% compared to that of the 2013 biennium.

The vast majority of the support for this program is provided through statutory appropriations of lodging use facility taxes, commonly referred to as accommodations taxes. The table below shows the accommodations tax allocations and estimated distributions including those to the Department of Commerce.

Department of Commerce Lodging Facilities Use Taxes						
	Distribution Basis	Actual FY 2012	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Biennial Change
Accommodations Tax Receipts		\$37,724,000	\$40,389,000	\$42,831,000	\$45,424,000	12.98%
Distributions						
General Fund	3% tax	15,606,000	17,309,000	18,356,000	19,467,000	14.91%
Department of Revenue - Administration	Reimburse	136,000	136,000	141,000	141,000	3.68%
Montana Heritage Preservation & Development	Fixed	400,000	400,000	400,000	400,000	0.00%
Montana University System	2.5% of net	539,550	563,600	598,350	635,400	11.84%
Montana Historical Society						
Sites and Signs	1.0% of net	215,820	225,440	239,340	254,160	11.84%
Historical Interpretation	2.6% of net	561,132	586,144	622,284	660,816	11.84%
Fish Wildlife & Parks	6.5% of net	1,402,830	1,465,360	1,555,710	1,652,040	11.84%
Department of Commerce						
Department Use	64.9% of net	14,006,718	14,631,056	15,533,166	16,494,984	11.84%
Distribution to Regions and Cities	22.5% of net	<u>4,855,950</u>	<u>5,072,400</u>	<u>5,385,150</u>	<u>5,718,600</u>	<u>11.84%</u>
Total Distributions		<u>\$37,724,000</u>	<u>\$40,389,000</u>	<u>\$42,831,000</u>	<u>\$45,424,000</u>	12.98%

As shown, the vast majority of the funding is allocated to the agency for promotion of tourism and allocation to the various tourism regions throughout Montana. The funding for the Montana Promotion Division increases by 11.84% when compared to the 2013 biennium. The division statutory budget for these resources includes:

- \$3.9 million in personal services supporting 28.50 FTE
- \$28.1 million in operating costs
- \$12.0 million in local assistance
- \$2.2 million in grants

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Montana Promotion Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$1,536,229	\$0	\$46,264,823	\$47,801,052	100.0%		
02116 Accommodation Tax Account	\$35,279	\$0	\$34,184,468	\$34,219,747	71.6%		
02154 Mt Promotion-private	\$1,500,950	\$0	\$0	\$1,500,950	3.1%		
02254 Regional Accommodation Tax	\$0	\$0	\$11,968,355	\$11,968,355	25.0%		
02271 L&c Bicentennial Plate Fund	\$0	\$0	\$110,000	\$110,000	0.2%		
02293 Film Production Credit	\$0	\$0	\$2,000	\$2,000	0.0%		
Total All Funds	\$1,536,229	\$0	\$46,264,823	\$47,801,052	100.0%		
Percent - Total All Sources	3.2%	0.0%	96.8%				

The Montana Promotion Division is funded entirely with state special revenues. The primary funding source is a portion of the statutorily appropriated 4% accommodations tax.

HB 2

The portion of the division's budget that is considered by the legislature in HB 2 is less than 4% of the division's total budget for the 2015 biennium. \$750,000 each year is from private contributions to joint private/state targeted advertising

campaigns. The remaining funding is appropriated from a portion of the 4% Montana lodging facility use tax for legislative audit costs.

Statutory Appropriations

The majority of the lodging facility use taxes are statutorily appropriated to the division.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	173,344	173,344	346,688	22.57%
Statewide PL Adjustments	0	0	0	0.00%	27,143	(9,062)	18,081	1.18%
Other PL Adjustments	0	0	0	0.00%	585,742	585,718	1,171,460	76.26%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$786,229	\$750,000	\$1,536,229	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Inflation/Deflation					30					54
Fixed Costs					27,113					(9,116)
Total Statewide Present Law Adjustments										
		\$0	\$27,143	\$0	\$27,143		\$0	(\$9,062)	\$0	(\$9,062)
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(27,143)	0	(27,143)	0.00	0	9,062	0	9,062
DP 52 - Adjustment for Statewide Operations	0.00	0	27,143	0	27,143	0.00	0	(9,062)	0	(9,062)
DP 5201 - MPD Private funds & Audit Adjustments (Restricted)	0.00	0	585,742	0	585,742	0.00	0	585,718	0	585,718
Total Other Present Law Adjustments										
	0.00	\$0	\$585,742	\$0	\$585,742	0.00	\$0	\$585,718	\$0	\$585,718
Grand Total All Present Law Adjustments										
	0.00	\$0	\$612,885	\$0	\$612,885	0.00	\$0	\$576,656	\$0	\$576,656

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 5201 - MPD Private funds & Audit Adjustments (Restricted) - The legislature approved increasing the HB 2 private funds appropriation to \$750,000 each year.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.00	5.00	0.00	0.00	5.00	0.00	(5.00)	(100.00%)
Personal Services	264,501	332,393	0	0	596,894	0	(596,894)	(100.00%)
Operating Expenses	184,859	122,607	0	0	307,466	0	(307,466)	(100.00%)
Total Costs	\$449,360	\$455,000	\$0	\$0	\$904,360	\$0	(\$904,360)	(100.00%)
General Fund	449,360	455,000	0	0	904,360	0	(904,360)	(100.00%)
Total Funds	\$449,360	\$455,000	\$0	\$0	\$904,360	\$0	(\$904,360)	(100.00%)

Program Description

The Energy Promotion and Development Division (EPDD) was created in 2007 as a result of the state's commitment to 'clean and green' energy development in Montana. EPDD staff conducts the analysis of complex energy issues, balancing the interests of both private developers with those of the public sector, and prepares and delivers written and oral communications that seek to resolve conflicts and achieve resolutions to problems that can delay or prevent energy development projects. The goal of this work is to create jobs and increase the tax base statewide by facilitating the development of clean and responsible energy projects in Montana.

Program Highlights

Energy Promotion and Development Division Major Budget Highlights	
♦	The legislature eliminated the Energy Promotion and Development Division and transferred 2.00 FTE and some functions to the Governor's Office

Program Discussion

The legislature eliminated the Energy Promotion and Development Division and related general fund, including personal services support of \$0.7 million over the biennium for 5.00 FTE and operating costs of \$0.3 million. The legislature made a policy decision to instead provide personal services for 2.00 FTE and related operating costs to the Governor's Office of Economic Development, electing to have a single agency responsible for overseeing public policy related to the development of the energy economy within Montana.

Funding

The legislature did not provide an appropriation for this program. The program was initially proposed to be funded entirely with general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	449,360	449,360	898,720	0.00%	449,360	449,360	898,720	0.00%
Statewide PL Adjustments	66,852	67,623	134,475	0.00%	66,852	67,623	134,475	0.00%
Other PL Adjustments	(22,718)	(22,088)	(44,806)	0.00%	(22,718)	(22,088)	(44,806)	0.00%
New Proposals	(493,494)	(494,895)	(988,389)	0.00%	(493,494)	(494,895)	(988,389)	0.00%
Total Budget	\$0	\$0	\$0		\$0	\$0	\$0	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
	-----Fiscal 2014-----					-----Fiscal 2015-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
Personal Services					81,201				81,960
Vacancy Savings					(13,828)				(13,858)
Inflation/Deflation					(70)				(28)
Fixed Costs					(451)				(451)
Total Statewide Present Law Adjustments		\$66,852	\$0	\$0	\$66,852		\$67,623	\$0	\$67,623
DP 50 - Initial Motion to FY 2012 Base	0.00	(66,852)	0	0	(66,852)	0.00	(67,623)	0	(67,623)
DP 51 - Adjustment for Statewide Personal Services	0.00	67,373	0	0	67,373	0.00	68,102	0	68,102
DP 52 - Adjustment for Statewide Operations	0.00	(521)	0	0	(521)	0.00	(479)	0	(479)
DP 5501 - EPDD Administrative Cost Adjustments	0.00	(22,718)	0	0	(22,718)	0.00	(22,088)	0	(22,088)
Total Other Present Law Adjustments	0.00	(\$22,718)	\$0	\$0	(\$22,718)	0.00	(\$22,088)	\$0	(\$22,088)
Grand Total All Present Law Adjustments	0.00	\$44,134	\$0	\$0	\$44,134	0.00	\$45,535	\$0	\$45,535

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 5501 - EPDD Administrative Cost Adjustments - The legislature included increases for rent and agency indirect costs offset by reductions in contracted services. The adjustments are based upon anticipated costs in the next biennium.

New Proposals

New Proposals		-----Fiscal 2014-----				-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5502 - Elimination of Funding - Energy Promotion/Dev Div										
55	(5.00)	(493,494)	0	0	(493,494)	(5.00)	(494,895)	0	0	(494,895)
Total	(5.00)	(\$493,494)	\$0	\$0	(\$493,494)	(5.00)	(\$494,895)	\$0	\$0	(\$494,895)

DP 5502 - Elimination of Funding - Energy Promotion/Dev Div - The legislature approved eliminating funding for the division, including personal services supporting 5.0 FTE and operating expenses.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.33	20.33	20.33	20.33	20.33	20.33	0.00	0.00%
Personal Services	1,163,894	1,251,502	1,420,415	1,419,250	2,415,396	2,839,665	424,269	17.57%
Operating Expenses	582,250	674,823	775,006	761,865	1,257,073	1,536,871	279,798	22.26%
Grants	4,661,752	9,639,248	7,223,954	6,845,993	14,301,000	14,069,947	(231,053)	(1.62%)
Total Costs	\$6,407,896	\$11,565,573	\$9,419,375	\$9,027,108	\$17,973,469	\$18,446,483	\$473,014	2.63%
General Fund	873,486	888,349	702,251	701,869	1,761,835	1,404,120	(357,715)	(20.30%)
State Special	2,317,872	5,192,768	3,412,404	3,021,065	7,510,640	6,433,469	(1,077,171)	(14.34%)
Federal Special	3,216,538	5,484,456	5,304,720	5,304,174	8,700,994	10,608,894	1,907,900	21.93%
Total Funds	\$6,407,896	\$11,565,573	\$9,419,375	\$9,027,108	\$17,973,469	\$18,446,483	\$473,014	2.63%

Program Description

The Community Development Division (CDD) administers four programs directly:

- Community Development Block Grant Program (CDBG);
- Community Technical Assistance Program (CTAP);
- Neighborhood Stabilization Program (NSP - Budget Amendment); and
- Treasure State Endowment Program (TSEP).

Two citizen boards appointed by the Governor, Montana Coal Board and Montana Hard Rock Mining Impact Board, are attached to CDD for administrative purposes. The division provides office facilities, staff, and administrative support for the two boards.

Program Highlights

Community Development Division Major Budget Highlights	
◆	Funding for the division increases between the two biennia primarily due to increases in federal funding and increased costs associated with the Hard Rock Mining Impact Board and the Coal Board
◆	State special revenue funds decrease between the two biennia due a reduction in funding to the Coal Board. The funding goes from 5.8% of coal severance tax revenues to 2.9% in the 2015 biennium per statute. The legislature approved SB 236 to extend the 5.8% allocation. However, the Governor vetoed the bill. As of this writing a veto override poll had been sent to legislators.

Program Discussion

Personal services increases are due to two factors:

- Broadband pay increases granted in FY 2012 that are annualized in the 2015 biennium
- A vacancy rate of 6.3% in FY 2012 compared to the legislatively established 4%

Operating expenses increases are mainly for additional support for consulting and professional services, printing, computers, postage, dues and indirect administrative costs. In addition, the division was provided an additional \$100,000 in general operating costs for a statutorily required reserve account for the Hard Rock Mining Board.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Community Development Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,404,120	\$0	\$0	\$1,404,120	7.1%		
State Special Total	\$6,433,469	\$0	\$1,200,000	\$7,633,469	38.9%		
02049 Hard Rock Mining	\$404,794	\$0	\$1,200,000	\$1,604,794	8.2%	90-6-331	Pass Thru
02218 School Facility Imprvmnt Acct	\$765,070	\$0	\$0	\$765,070	3.9%		
02270 Treasure State Endowment	\$1,128,671	\$0	\$0	\$1,128,671	5.7%		
02445 Coal Board	\$4,134,934	\$0	\$0	\$4,134,934	21.0%		
Federal Special Total	\$10,608,894	\$0	\$0	\$10,608,894	54.0%		
03059 Community Development Block	\$10,608,894	\$0	\$0	\$10,608,894	54.0%		
Total All Funds	\$18,446,483	\$0	\$1,200,000	\$19,646,483	100.0%		
Percent - Total All Sources	93.9%	0.0%	6.1%				

General fund:

- Provides matching funds for the Community Development Block Grant (CDBG)
- Wholly supports the Community Technical Assistance Program

State special revenues are dominated by grant funding for Coal Board programs that fund governmental services that are a direct consequence of an increase or decrease of coal development or as the result of an increase or decrease in the consumption of coal by a coal-using energy complex. The table shows the coal natural resource account and the decreasing revenues as a result of the reduced percentage of coal tax severance taxes that are allocated to the coal board.

Department of Commerce Coal Natural Resource Account				
	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Fund Balance	\$1,268,242	\$2,541,164	\$1,288,545	\$1,125,545
Revenues				
Coal Severance Taxes	3,059,129	3,181,000	2,099,000	1,749,000
Total Revenues				
Expenditures				
Administration	105,958	102,379	113,614	102,575
Grants	1,586,184	4,331,240	2,148,386	1,770,425
Total Expenditures	1,692,142	4,433,619	2,262,000	1,873,000
Adjustments	(94,065)			
Ending Fund Balance	\$2,541,164	\$1,288,545	\$1,125,545	\$1,001,545

As shown, the biennial funding for the coal board grants is significantly reduced as a result of the change, from \$5.9 million to \$3.9 million in the 2015 biennium. The legislature approved SB 236, a Joint Appropriation Subcommittee on General Government committee bill to continue funding for the Coal Board at 5.9% of the coal severance tax rather than allow a reduction to 2.9% of the taxes scheduled after September 2013 to occur. The Governor vetoed the bill. A poll to determine if the legislature wished to override the Governor's veto is in process.

The legislature switched the funding of the Quality Schools Grant Program from general fund to state special revenues from the School Facility and Technology Account.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	873,486	873,486	1,746,972	124.42%	6,407,896	6,407,896	12,815,792	69.48%
Statewide PL Adjustments	145,928	142,910	288,838	20.57%	257,115	250,112	507,227	2.75%
Other PL Adjustments	65,639	67,741	133,380	9.50%	2,754,364	2,369,100	5,123,464	27.77%
New Proposals	(382,802)	(382,268)	(765,070)	(54.49%)	0	0	0	0.00%
Total Budget	\$702,251	\$701,869	\$1,404,120		\$9,419,375	\$9,027,108	\$18,446,483	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					309,137					307,918
Vacancy Savings					(58,855)					(58,801)
Inflation/Deflation					(205)					(28)
Fixed Costs					7,038					1,023
Total Statewide Present Law Adjustments										
		\$145,928	\$27,732	\$83,455	\$257,115		\$142,910	\$24,514	\$82,688	\$250,112
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(145,928)	(27,732)	(83,455)	(257,115)	0.00	(142,910)	(24,514)	(82,688)	(250,112)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	147,166	25,608	77,508	250,282	0.00	145,166	24,746	79,205	249,117
DP 52 - Adjustment for Statewide Operations										
	0.00	0	2,124	4,709	6,833	0.00	0	(232)	1,227	995
DP 53 - Base Funding Switch										
	0.00	(1,238)	0	1,238	0	0.00	(2,256)	0	2,256	0
DP 6002 - CDD Administrative Costs Adjustments - HB 2										
	0.00	65,639	683,998	4,727	754,364	0.00	67,741	296,411	4,948	369,100
DP 6003 - CDD Federal Grants Adjustments - HB 2										
	0.00	0	0	2,000,000	2,000,000	0.00	0	0	2,000,000	2,000,000
Total Other Present Law Adjustments										
	0.00	\$65,639	\$683,998	\$2,004,727	\$2,754,364	0.00	\$67,741	\$296,411	\$2,004,948	\$2,369,100
Grand Total All Present Law Adjustments										
	0.00	\$211,567	\$711,730	\$2,088,182	\$3,011,479	0.00	\$210,651	\$320,925	\$2,087,636	\$2,619,212

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 6002 - CDD Administrative Costs Adjustments - HB 2 - The legislature funded per diem for the Hard Rock Mining Impact Board and Coal Board. In addition, the legislature approved authority to establish a \$100,000 reserve account for the Hard Rock Mining Impact Board. Additional costs include consulting services for a designation study for allocation of Coal Board grants, publication costs, computer equipment, public notice, and printing costs.

DP 6003 - CDD Federal Grants Adjustments - HB 2 - The legislature provided federal appropriations for grants received by the Community Development Division to match estimated federal funds for the 2015 biennium.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 6005 - Quality Schools Funding Switch										
60	0.00	(382,802)	382,802	0	0	0.00	(382,268)	382,268	0	0
Total	0.00	(\$382,802)	\$382,802	\$0	\$0	0.00	(\$382,268)	\$382,268	\$0	\$0

DP 6005 - Quality Schools Funding Switch - The legislature approved a funding switch for the administrative costs of the quality school grant program, reducing general fund and increasing state special revenue support from the school facility and technology account.

Program Description

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees. The ability to issue industrial development revenue bonds for small manufacturing facilities was added in the 61st Legislative Session, effective July 1, 2009.

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015) with revenues collected from interest, fees, and charges from participating institutions.

The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Facility Finance Authority (06012 and 06015)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Facility Finance Authority							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$0	\$1,130,689	\$0	\$1,130,689	100.0%		
06015 Facilities Finance Authority	\$0	\$1,130,689	\$0	\$1,130,689	100.0%		
Total All Funds	\$0	\$1,130,689	\$0	\$1,130,689	100.0%		
Percent - Total All Sources	0.0%	100.0%	0.0%				

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.83	5.83	5.83	5.83	5.83	5.83	0.00	0.00%
Personal Services	331,008	309,014	355,516	355,746	640,022	711,262	71,240	11.13%
Operating Expenses	395,907	1,097,340	1,053,974	1,058,253	1,493,247	2,112,227	618,980	41.45%
Grants	4,175,926	4,250,000	6,175,926	6,175,926	8,425,926	12,351,852	3,925,926	46.59%
Benefits & Claims	183,921	0	358,921	358,921	183,921	717,842	533,921	290.30%
Total Costs	\$5,086,762	\$5,656,354	\$7,944,337	\$7,948,846	\$10,743,116	\$15,893,183	\$5,150,067	47.94%
State Special	0	25,800	150,000	150,000	25,800	300,000	274,200	1,062.79%
Federal Special	5,086,762	5,630,554	7,794,337	7,798,846	10,717,316	15,593,183	4,875,867	45.50%
Total Funds	\$5,086,762	\$5,656,354	\$7,944,337	\$7,948,846	\$10,743,116	\$15,893,183	\$5,150,067	47.94%

Program Description

The Housing Division established on July 1, 1995, consolidated housing programs within the Department of Commerce into one division. The division includes the Housing and Urban Development (HUD) HOME Investment Partnerships program, the HUD Tenant Based and Project Based Section 8 Housing programs, and the Board of Housing and its programs.

Housing Division responsibilities are mandated primarily in Title 2, Chapter 15; Title 90, Chapter 1, and Chapter 6, MCA; 24 CFR 91, and 92; 24 CFR 5, 792, 813, 887, 982, and 984; and the Governor's Executive Order 27-81.

Program Highlights

Housing Division Major Budget Highlights
<ul style="list-style-type: none"> ♦ The budget increases by 47.9% compared to the 2013 biennium mainly due to \$4.8 million in anticipated federal grants for Housing and Urban Development HOME Investment Partnerships ♦ Non-budgeted proprietary funds support 85.9% of the program. These are enterprise funds in which the legislature has no rate setting action

Program Discussion

The majority of the increases between the 2013 and 2015 biennia are the result of additional federal grant authority. The legislature approved increases include additional funding for:

- HUD Comprehensive Counseling
- Emergency Homeowner's Loan Program
- Home Grants
- BOH Foreclosure Mitigation

Operating cost increases include additional authority for consulting and professional services above that provided in the 2013 biennium. Benefits and claims increase due to additional support for services provided by the Section 8 Shelter Care Plus Program.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Housing Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$300,000	\$0	\$0	\$300,000	0.3%		
02575 Mobile Home Revolving Loan Fund	\$300,000	\$0	\$0	\$300,000	0.3%		
Federal Special Total	\$15,593,183	\$0	\$0	\$15,593,183	13.8%		
03110 Hud Comprehensive Counseling	\$549,999	\$0	\$0	\$549,999	0.5%		
03144 Shelter Plus Care - Hud	\$750,000	\$0	\$0	\$750,000	0.7%		
03282 Emergency Homeowners Loan Prog	\$500,000	\$0	\$0	\$500,000	0.4%		
03300 Home Grants	\$13,243,183	\$0	\$0	\$13,243,183	11.7%		
03945 Boh Foreclosure Mitigation	\$550,001	\$0	\$0	\$550,001	0.5%		
Proprietary Total	\$0	\$96,890,001	\$0	\$96,890,001	85.9%		
06030 Boh Financial Program Fund	\$0	\$8,931,985	\$0	\$8,931,985	7.9%		
06074 Sec 8 Project Based	\$0	\$42,038,850	\$0	\$42,038,850	37.3%		
06075 Hud Section 8 Housing Program	\$0	\$42,105,490	\$0	\$42,105,490	37.3%		
06078 Affordable House Revolving Ln	\$0	\$20,000	\$0	\$20,000	0.0%		
06079 Revolving Loan Fund - Tanf	\$0	\$20,000	\$0	\$20,000	0.0%		
06085 Section 8 Mod Rehab	\$0	\$3,753,676	\$0	\$3,753,676	3.3%		
Total All Funds	\$15,893,183	\$96,890,001	\$0	\$112,783,184	100.0%		
Percent - Total All Sources	14.1%	85.9%	0.0%				

The majority of the funds supporting the activities of the Housing Division are proprietary funds. The Board of Housing is funded by six enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed. Under the Montana Housing Act of 1975, the board does not receive any general fund, and is completely self-supporting.

The programs funded through HB 2 are the Housing and Urban Development HOME Investment Partnerships Program and Montana' Manufactured Home Replacement Program (MHR). The HUD HOME program is an annual categorical federal grant from HUD. Grant funds are distributed, using a competitive process, to successful local governments and Community Housing Development Organizations with an allowed amount being held back at the state level to administer the program. MHR provided loans to remodel manufactured homes. The 2015 biennium includes funding in the event that any prior loans are repaid and funding can be re-loaned.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	5,086,762	5,086,762	10,173,524	64.01%
Statewide PL Adjustments	0	0	0	0.00%	28,610	25,225	53,835	0.34%
Other PL Adjustments	0	0	0	0.00%	2,828,965	2,836,859	5,665,824	35.65%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$7,944,337	\$7,948,846	\$15,893,183	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				37,919						38,159
Vacancy Savings				(14,757)						(14,767)
Inflation/Deflation				1						39
Fixed Costs				5,447						1,794
Total Statewide Present Law Adjustments	\$0	\$0	\$28,610	\$28,610		\$0	\$0	\$25,225	\$25,225	
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(28,610)	(28,610)	0.00	0	0	(25,225)	(25,225)	
DP 51 - Adjustment for Statewide Personal Services	0.00	0	23,162	23,162	0.00	0	0	23,392	23,392	
DP 52 - Adjustment for Statewide Operations	0.00	0	5,448	5,448	0.00	0	0	1,833	1,833	
DP 7401 - HD Administrative Costs Adjustments - HB 2	0.00	0	150,000	53,965	0.00	0	150,000	61,859	211,859	
DP 7402 - HD Federal Grants Adjustments - HB 2	0.00	0	2,625,000	2,625,000	0.00	0	0	2,625,000	2,625,000	
Total Other Present Law Adjustments	0.00	\$0	\$150,000	\$2,678,965	0.00	\$0	\$150,000	\$2,686,859	\$2,836,859	
Grand Total All Present Law Adjustments	0.00	\$0	\$150,000	\$2,707,575	0.00	\$0	\$150,000	\$2,712,084	\$2,862,084	

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 7401 - HD Administrative Costs Adjustments - HB 2 - The legislature provided authority to annualize the cost of maintenance fees for HOME programs, lease agreements, and indirect costs to the Director's Office.

DP 7402 - HD Federal Grants Adjustments - HB 2 - The legislature approved federal appropriation authority for grants received by the Housing Assistance Bureau's HOME Program to match estimated federal funds for the 2015 biennium.

Proprietary Rates**Proprietary Program Description**

The Montana Housing Act of 1975 created the Montana Board of Housing (board). The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The board provides direction to the agency staff for its programs that include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Montana Fund, and the Reverse Annuity Mortgage (RAM) Program. The Board of Housing is funded by four enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

The Project Based Section 8 (PBS8) Program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the

tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Section 8 program is funded with revenues derived from a performance based Annual Contribution Contract with HUD.

Board of Housing – (Funds 06030, 06031, 06078, and 06079)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Section 8 Housing – (Funds 06074, 06075, and 06085)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Program Description

The Board of Investments (board) manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Statute grants the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board currently manages an investment portfolio with a market value of approximately \$12.0 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The board manages seven investment pools, which operate like mutual funds.

- Retirement Funds Bond Pool
- Trust Funds Bond Pool
- Short Term Investment Pool
- Montana Domestic Stock Pool
- Montana International Equity Pool
- Montana Private Equity Pool
- Montana Real Estate Pool

Annual audited financial statements are prepared for each investment pool. Investments not managed in pools are included in an "all other funds" financial statement. The board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

Section 17-6-305, MCA, authorizes the board to invest 25% of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust fund in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The board also lends low-interest monies funded from the trust fund to value-added type businesses creating jobs. Throughout FY 2010, the board purchased Montana residential mortgages with pension funds as part of the In-State Investment Program.

The board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to 15 years and short-term loans to finance cash flow deficits or bridge financing are also available.

Program Narrative

Expenses

Overall the program costs increase over 27% between FY 2012 and the 2015 biennium. The figure below shows the increases in costs and related funding. The funding shows both the proprietary funds and the statutorily appropriated industrial revenue bonds and related debt service payments.

Department of Commerce Board of Investments					
	FY 2012	FY 2014	% Change	FY 2015	% Change
FTE	32.00	32.00	0.00	32.00	0.00
Personal Services	\$2,661,343	\$3,059,481	14.96%	\$3,060,044	14.98%
Operating Costs	2,063,528	2,342,587	13.52%	2,305,946	11.75%
Debt Service	742,110	1,343,162	80.99%	1,592,800	114.63%
Total Costs	<u>\$5,466,981</u>	<u>\$6,745,230</u>	23.38%	<u>\$6,958,790</u>	27.29%
Funding					
Industrial Revenue Bonds	1,046,529	1,829,132	74.78%	2,059,258	96.77%
Investment Division	<u>4,420,452</u>	<u>4,916,098</u>	11.21%	<u>4,899,532</u>	10.84%
Total Funding	<u>\$5,466,981</u>	<u>\$6,745,230</u>	23.38%	<u>\$6,958,790</u>	27.29%

Significant increased costs for personal services include:

- Refunding of 4.00 FTE that were vacant all of FY 2012; 3.00 FTE have been vacant since at least FY 2010 with 1.00 FTE vacant since FY 2007
- Additional funding for 5.00 FTE that were vacant a portion of the year
- Broadband pay increases granted in FY 2012 but annualized in the 2015 biennium

Increases associated with operating costs include:

- Consulting and professional services
- Legal fees and court costs
- Data network services
- Rent
- Indirect administrative costs

Revenues

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

Nearly all investment program revenues are generated from charges to each account that the board invests. The revenue objective of the investment program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

Proprietary Rates

For the 2015 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes. The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This process has been utilized since the passage of HB 576 in 1995 and this methodology is continued in the 2015 biennium.

Department of Commerce Board of Investments Proprietary Rates				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
BOI Administrative Fee Rate	\$4,831,041	\$4,831,041	\$5,109,144	\$5,234,796
Allocation Methodology: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Description

The 1997 Montana Legislature established the Montana Heritage Preservation and Development Commission (MHC) to acquire and manage historic properties for the State of Montana. The legislation approved the purchase of the historic sites in Virginia City and Nevada City including 250 buildings, 160 acres of land, hundreds of thousands of artifacts, and a tourist railroad. The Montana Board of Land Commissioners later approved the acquisition of historic Reeder's Alley in Helena on November 19, 2001 via a private donation. The Pioneer Cabin at the base of Reeder's Alley, was also acquired through private donation from the Last Chance Gulch Restoration Association on June 19, 2006. Today, MHC manages these sites to generate revenue for its own operations that includes building leases for private businesses, visitor services, historic preservation, collections management and public education.

Program Highlights

Montana Heritage Commission Major Budget Highlights	
•	100% of the Montana Heritage Commission is funded with statutory appropriations including 12.00 FTE

Program Discussion

The statutorily appropriated program budget includes:

- \$1.3 million in personal services supporting 12.00 FTE
- \$1.0 million in operating costs

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Montana Heritage Commission							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$0	\$0	\$2,381,096	\$2,381,096	100.0%		
02102 Mt Heritage Pres & Development	\$0	\$0	\$2,381,096	\$2,381,096	100.0%		
Total All Funds	\$0	\$0	\$2,381,096	\$2,381,096	100.0%		
Percent - Total All Sources	0.0%	0.0%	100.0%				

As shown, the Montana Heritage Commission is entirely funded with statutorily appropriated funding. As shown on the table in the Montana Promotion Division narrative in this department, the funding from the accommodations tax is fixed at \$400,000 each year of the biennium. The rest of the funding includes revenues from Virginia and Nevada Cities and Reeder's Alley as well as funding from light vehicle registrations.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Grants	261,062	600,000	550,000	550,000	861,062	1,100,000	238,938	27.75%
Total Costs	\$261,062	\$600,000	\$550,000	\$550,000	\$861,062	\$1,100,000	\$238,938	27.75%
Federal Special	261,062	600,000	550,000	550,000	861,062	1,100,000	238,938	27.75%
Total Funds	\$261,062	\$600,000	\$550,000	\$550,000	\$861,062	\$1,100,000	\$238,938	27.75%

Program Description

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. The office provides executive, administrative, legal, and policy direction along with offering problem-solving guidance. The office keeps abreast of department related issues and acts in a public relations and informational capacity. The office works closely with economic and community development organizations, businesses, communities, governmental entities, elected officials and the public to diversify and expand the state's economic base. The office acts as the liaison with private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, other governmental agencies, and the Governor's Office.

The Director's Office also provides internal support to Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

The Montana Council on Developmental Disabilities is a citizen based advocacy group. Its members, appointed by the Governor, work to provide increased independence, integration and productivity for persons with developmental disabilities.

Program Highlights

Director's Office Major Budget Highlights	
♦	76.2% of the Director's Office, including 19.00 FTE, is funded with proprietary funds that are not included in HB 2
♦	The HB 2 budget increases 27.7% due to projected increases in federal funds supporting the Montana Council on Developmental Disabilities

Program Discussion

The program budget comparison table reflects funding only for the Developmental Disabilities Planning and Advisory Council (DDPAC), which is the only portion of this program for which the appropriation is made in HB 2. The federal Developmental Disabilities Assistance and Bill of Rights Act of 2000 requires each state to designate a state agency to administer the federal funds as long as the designated state agency does not provide or pay for services for individuals with developmental disabilities.

Since FY 2005 the department has had a contract with the Montana Council on Developmental Disabilities (MCDD), a nonprofit corporation that carries out the responsibilities of DDPAC. DDPAC still remains administratively attached to

the nonprofit under the terms and conditions of the contract. Projected increases in the federal funds are the only change shown for the 2015 biennium.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Director'S Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Federal Special Total	\$1,100,000	\$0	\$0	\$1,100,000	23.8%		
03441 Ddpac - Dev Disabled Council	\$1,100,000	\$0	\$0	\$1,100,000	23.8%		
Proprietary Total	\$0	\$3,526,546	\$0	\$3,526,546	76.2%		
06542 Commerce Centralized Services	\$0	\$3,526,546	\$0	\$3,526,546	76.2%		
Total All Funds	\$1,100,000	\$3,526,546	\$0	\$4,626,546	100.0%		
Percent - Total All Sources	23.8%	76.2%	0.0%				

The Director's Office is funded by an internal service proprietary fund from indirect costs charged to all agency programs. For further discussion of the proprietary funded portion of this program refer to the "Proprietary Rates" section.

The Montana Council on Developmental Disabilities is entirely funded with federal special revenues.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	261,062	261,062	522,124	47.47%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	288,938	288,938	577,876	52.53%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$550,000	\$550,000	\$1,100,000	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
FTE	Fiscal 2014					FTE	Fiscal 2015			
	General Fund	State Special	Federal Special	Total Funds			General Fund	State Special	Federal Special	Total Funds
Total Statewide Present Law Adjustments	\$0		\$0	\$0			\$0		\$0	\$0
DP 8101 - DO Federal Grants Adjustments - HB 2										
0.00	0	0	288,938	288,938		0.00	0	0	288,938	288,938
Total Other Present Law Adjustments	0.00	\$0	\$288,938	\$288,938		0.00	\$0	\$0	\$288,938	\$288,938
Grand Total All Present Law Adjustments	0.00	\$0	\$288,938	\$288,938		0.00	\$0	\$0	\$288,938	\$288,938

DP 8101 - DO Federal Grants Adjustments - HB 2 - The legislature included increases in federal appropriations for grants received by the Director's Office to match estimated available federal funds for the 2015 biennium for the Montana Council on Developmental Disabilities.

Proprietary Rates

Proprietary Program Description

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. Services are provided by the Office of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

Program Narrative

Overall, costs for the program increase by almost 14% when compared to the FY 2012 base. The majority of the increases are in personal service costs which are about 15.5% higher when compared to FY 2012. The figure below shows the changes in personal service and operating costs when compared to the FY 2012 base amounts.

Department of Commerce Director's Office					
	FY 2012	FY 2014	% Increase	FY 2015	% Increase
Personal Services	\$1,322,134	\$1,526,685	15.47%	\$1,527,824	15.56%
Operating Costs	224,995	232,560	3.36%	234,311	4.14%
	\$1,547,129	\$1,759,245	13.71%	\$1,762,135	13.90%

The increases are included as part of the proposals related to administrative cost adjustments. The figure below shows the increased costs for the Director's Office that are apportioned to each of the programs.

Expenses

Significant costs for the program include:

- Personal service increases that are almost entirely due to the annualization of broadband pay increases granted in the last half of FY 2012
- Operating costs, which include increased costs for SITSD charges and rent

Revenues

The Director's Office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated and legislatively approved indirect cost rates applied to actual personal services expenditures.

Department of Commerce Director's Office Increases in Administrative Costs		
Division	FY 2014	FY 2015
Business Resources Division	\$93,251	\$93,482
Montana Promotion Division	64,347	64,928
Energy Division	14,367	14,473
Community Development Division	56,870	56,700
Facility Finance Authority	8,895	8,883
Housing Division	11,080	11,114
Board of Investments	103,616	103,698
Montana Heritage Commission	40,259	40,449
Total Increases	\$392,685	\$393,727

Proprietary Rate Explanation

For the 2015 biennium the following rates were approved by the legislature are shown on the next page.

Department of Commerce Director's Office Proprietary Rates				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Director's Office Rate	12.95%	12.95%	14.65%	14.65%

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. The rate approved by the legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be slightly lower.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	756.58	756.58	751.58	751.58	756.58	751.58	(5.00)	(0.66%)
Estimated Impact of HB 2*			(31.44)	(31.44)		(31.44)	(31.44)	
Net Estimated FTE*			720.14	720.14		720.14	(36.44)	
Personal Services	40,122,529	42,222,224	42,238,374	42,288,058	82,344,753	84,526,432	2,181,679	2.65%
Operating Expenses	21,438,114	23,569,354	22,905,751	23,017,418	45,007,468	45,923,169	915,701	2.03%
Equipment & Intangible Assets	122,027	274,234	436,602	398,986	396,261	835,588	439,327	110.87%
Grants	11,535,458	11,779,098	11,565,453	11,565,525	23,314,556	23,130,978	(183,578)	(0.79%)
Benefits & Claims	91,464	74,840	91,464	91,464	166,304	182,928	16,624	10.00%
Transfers	484,630	357,757	454,199	454,199	842,387	908,398	66,011	7.84%
Debt Service	3,889	3,775	13,103	13,103	7,664	26,206	18,542	241.94%
Total Costs	\$73,798,111	\$78,281,282	\$77,704,946	\$77,828,753	\$152,079,393	\$155,533,699	\$3,454,306	2.27%
General Fund	1,474,826	1,483,665	1,285,371	1,311,124	2,958,491	2,596,495	(361,996)	(12.24%)
State Special	38,439,794	41,914,681	39,886,165	39,872,879	80,354,475	79,759,044	(595,431)	(0.74%)
Federal Special	33,823,455	34,794,419	36,533,410	36,644,750	68,617,874	73,178,160	4,560,286	6.65%
Other	60,036	88,517	0	0	148,553	0	(148,553)	(100.00%)
Total Funds	\$73,798,111	\$78,281,282	\$77,704,946	\$77,828,753	\$152,079,393	\$155,533,699	\$3,454,306	2.27%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Agency Mission: The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

The Department of Labor and Industry (DOLI) has a number of functions. In part, the department:

- Serves as an employment agency, provides job training to assist individuals in preparing for and finding jobs, and assists employers in finding workers
- Oversees federal and state training and apprenticeship programs
- Conducts research and collects employment statistics
- Administers the unemployment insurance program and disburses state unemployment benefits
- Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- Provides adjudicative services in labor-management disputes
- Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- Provides administrative and clerical services to the 40 professional boards and occupational licensing programs authorized by state statutes
- Establishes and enforces minimum building codes
- Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Services
- Oversees and regulates the Montana Workers' Compensation system

Organizationally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations; and 5) Business Standards. The Office of Community Services, Workers' Compensation Court, Board of Personnel Appeals, and Board of Labor Appeals are administratively attached. Under statute the Human Rights Commission is allocated to the Department of Labor and Industry for administrative purposes.

Agency Highlights

Department of Labor and Industry Major Budget Highlights	
♦	2015 biennium budget increases mainly due to increased personal services costs for vacant positions and broadband pay increase

Summary of Legislative Action

As shown in the agency budget comparison, the budget for DOLI increases 2.3% when compared to the 2013 biennium. Overall, the number of FTE supported in HB 2 declined by 5.00. The reduction was due to the net of two actions. The legislature:

- 1) Moved the Office of Legal Services within the Commissioner's Office from HB 2 to a proprietary fund, which reduced the FTE in HB 2 by 8.00; and
- 2) Approved personal service costs to support an additional 3.00 FTE within the Business Standards Division to eliminate contracts for the Medical Impairment Program and to provide the services within the division.

As a result, state special revenue appropriation authority for the division was reduced by \$151,800.

The majority of the increases in the budget are included as personal services. Changes adopted by the legislature included:

- Refunding of vacancy savings, minus 6%
- Annualization of broadband pay plan increases
- Funding statutorily required increases for longevity
- Personal service costs for the Medical Impairment Program

Operating costs for the agency increase by almost \$1.0 million between the two biennia. The majority of the increases are due to increased support for the operational costs of the Business Standards Division.

General fund for the agency declines as a result of a funding shift for the Human Rights Bureau. The legislature approved an additional \$0.5 million in federal funds for the bureau to reduce the amount of fund balance available to support the program, decreasing general fund by the same amount. State special revenue reductions are mainly due to the elimination of state special revenue for the Incumbent Worker Training Program included as part of the Governor's line item veto of HB 2. Federal revenues increase due to:

- \$1.0 million in increased support for the AmeriCorp grant supporting the Office of Community Services
- \$1.4 million in support for statewide present law adjustments which were supported by state special revenues in the FY 2012 base budget
- \$0.5 million for the Human Right Bureau switched from general fund

Bills to Implement Provisions of HB 2

The Joint Appropriation Subcommittee on General Government requested committee bills (HB 627 and HB 591) to implement provisions of HB 2:

- 1) HB 591 increased fees for licenses of weighing devices to provide the Weights and Measures Bureau with additional state special revenues so that the bureau is able to replace outdated equipment and to update the metrology laboratory.
- 2) HB 627 failed to pass the legislature. It would have:
 - Expanded the uses of the employment security account (ESA) to include the Jobs for Montana Graduates Program (JMG) and to add career guidance and academic counseling programs to help student make decisions relating to career preparation as part of the research and analysis functions of the department. Funding for these programs remains in HB 2, and legislative legal staff states that statute likely allows

continued use of these funds for these purposes. HB 627 also expanded the uses of the funding to the Department of Commerce to support the New Worker Training Program.

- Created a worker training and economic development account in the state special revenue fund. The purpose of the fund was to provide a source of revenue to fund the costs that the state incurs in programs for incumbent worker training. The Governor line item vetoed the \$1.3 million state special revenue appropriation for the Incumbent Worker Training Program in HB 2.

Boilerplate

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 31.44 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$2,596,495	\$0	\$0	\$2,596,495	0.6%
State Special Total	79,759,044	-	1,528,454	81,287,498	17.3%
Federal Special Total	73,178,160	-	-	73,178,160	15.6%
Proprietary Total	-	312,976,127	-	312,976,127	66.6%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<hr/>					
Total All Funds	<u>\$155,533,699</u>	<u>\$312,976,127</u>	<u>\$1,528,454</u>	<u>\$470,038,280</u>	
Percent - Total All Sources	33.1%	66.6%	0.3%		

The majority of the funding for the department is non-budgeted proprietary funding for unemployment benefits. State special revenue funds include the employment security account, individual accounts for each professional licensing board or program, and the uninsured employers fund. General fund supports activities within the Workforce Services Division and the Employment Relations Division.

The employment security account provides support to four of the agency's divisions. Figure 1 shows the amount of funding provided to each division, the impacts of the additional vacancy savings of 2%, and the maximum potential impacts of HB 13.

Figure 3

Department of Labor and Industry Economic Security Account Including Potential HB 13 Impacts				
Revenues, Expenditures, Fund Balance	Actual FY 2012	Budgeted FY 2013	Budgeted FY 2014	Budgeted FY 2015
Beginning Fund Balance	\$9,428,160	\$9,508,080	\$5,376,414	\$119,026
Revenues				
Contributions/Premiums	14,994,621	15,427,000	15,942,000	16,475,000
BOI Investment Earnings	<u>34,701</u>	<u>24,396</u>	<u>5,000</u>	<u>5,000</u>
Total Revenues	15,029,323	15,451,396	15,947,000	16,480,000
Expenditures				
Department of Labor and Industry				
Workforce Services Division	9,886,884	10,619,281	9,058,064	9,058,117
Unemployment Insurance Division	3,389,198	3,667,627	3,777,656	3,777,656
Commissioner's Office	247,219	1,314,120	179,072	179,069
Employment Relations Division	1,435,729	1,482,034	1,507,401	1,507,433
House Bill 13 Impacts*	0	0	218,131	471,522
House Bill 2 Additional Vacancy Savings**	0	0	(135,936)	(136,124)
Department of Commerce				
Business Resources Division	<u>0</u>	<u>0</u>	<u>800,000</u>	<u>800,000</u>
Total Expenditures	14,959,031	17,083,062	15,404,388	15,657,673
Adjustments	9,628			
Ending Fund Balance	<u>\$9,508,080</u>	<u>\$7,876,414</u>	<u>\$5,919,026</u>	<u>\$941,353</u>
Unemployment Insurance Tax Modernization		0 2,500,000	5,800,000	700,000
Ending Fund Balance with IT project	<u>\$9,508,080</u>	<u>\$5,376,414</u>	<u>\$119,026</u>	<u>\$241,353</u>
* Calculated using funding percentages utilized to establish amounts in HB 13				
** Calculated using MBARS pay plan percentages				

The 2009 Legislature approved the unemployment tax modernization information technology project in HB 10 using \$16.7 million in employment security revenue bonding authority and \$3.0 million in federal revenues. The funding was approved as a long range IT project. As a long range IT project, the appropriation authority for the employment security revenue bonds does not revert at the end of the biennium but is continued until the bonds are issued and the project is completed or the legislature removes the authority through legislation. The agency recently issued a request for proposal on the project and is in the process of finalizing an agreement. The effects of issuing revenue bonds are also shown in the table. In addition, the legislature provided \$1.6 million of funding from this account for primary business sector training provided by the Department of Commerce.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,474,826	1,474,826	2,949,652	113.60%	73,798,111	73,798,111	147,596,222	94.90%
Statewide PL Adjustments	54,997	55,880	110,877	4.27%	3,953,858	4,150,267	8,104,125	5.21%
Other PL Adjustments	4,056	4,079	8,135	0.31%	1,443,616	1,490,841	2,934,457	1.89%
New Proposals	(248,508)	(223,661)	(472,169)	(18.18%)	(1,490,639)	(1,610,466)	(3,101,105)	(1.99%)
Total Budget	\$1,285,371	\$1,311,124	\$2,596,495		\$77,704,946	\$77,828,753	\$155,533,699	

The statewide present law adjustments provide for personal service adjustments including:

- Full funding of all positions, minus 4% vacancy savings
- Annualization of broadband pay plan increases
- Funding statutorily required increases for longevity

The adjustments also include increases for both fixed costs such as State Information Technology Services Division and rent adjustments, and decreases for gasoline.

Other present law adjustments include an additional \$1.1 million in federal authority for the AmeriCorp grant supporting the Office of Community Services and \$0.8 million in state special authority for operating costs associated with the Business Services Division.

Reductions approved as new proposals include:

- \$1.8 million in additional vacancy savings for the agency
- \$1.3 million of state special revenue appropriations for the Incumbent Worker Training Program vetoed by the Governor
- \$1.7 million in support for legal services within the Commissioner's Office that were switched to nonbudgeted proprietary funds with revenue generated through a rate charged to the various divisions within DOLI. This reduction was partially offset by increases within each division's budget for the costs of the proprietarily funded legal services of \$1.1 million in total funds

Other Legislation

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 363 – This bill allows the Board of Realty Regulation to hire its own staff rather than have the division provide administrative, clerical and compliance support to the board. The Governor vetoed the bill. The Secretary of State's Office is polling the legislature to determine if the legislature will override the Governor's veto.

HB 591 – This bill increases licensing fees for weighing devices that support costs of the program within the Business Standards Division.

SB 410 – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office

- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

In addition, the bill contained a one-time-only appropriation of \$2.0 million general fund for the Department of Labor and Industry. The funding is to be transferred to the Department of Labor and Industry Operations Account within the state special revenue fund. The statutorily appropriated funds are to fund various operations costs of the department.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	756.58	752.58	751.58	(1.00)	752.58	751.58	(1.00)	
Estimated Impact of HB 2*			(31.44)	(31.44)		(31.44)	(31.44)	
Net Estimated FTE*			720.14	(32.44)		720.14	(32.44)	
Personal Services	40,122,529	43,265,007	42,238,374	(1,026,633)	43,309,143	42,288,058	(1,021,085)	(2,047,718)
Operating Expenses	21,438,114	22,921,975	22,905,751	(16,224)	23,040,631	23,017,418	(23,213)	(39,437)
Equipment & Intangible Assets	122,027	436,602	436,602	0	398,986	398,986	0	0
Grants	11,535,458	12,228,606	11,565,453	(663,153)	12,228,678	11,565,525	(663,153)	(1,326,306)
Benefits & Claims	91,464	91,464	91,464	0	91,464	91,464	0	0
Transfers	484,630	454,199	454,199	0	454,199	454,199	0	0
Debt Service	3,889	13,103	13,103	0	13,103	13,103	0	0
Total Costs	\$73,798,111	\$79,410,956	\$77,704,946	(\$1,706,010)	\$79,536,204	\$77,828,753	(\$1,707,451)	(\$3,413,461)
General Fund	1,474,826	2,646,492	1,285,371	(1,361,121)	2,647,416	1,311,124	(1,336,292)	(2,697,413)
State/Other Special	38,439,794	40,097,044	39,886,165	(210,879)	40,056,805	39,872,879	(183,926)	(394,805)
Federal Special	33,823,455	36,667,420	36,533,410	(134,010)	36,831,983	36,644,750	(187,233)	(321,243)
Proprietary	60,036	0	0	0	0	0	0	0
Total Funds	\$73,798,111	\$79,410,956	\$77,704,946	(\$1,706,010)	\$79,536,204	\$77,828,753	(\$1,707,451)	(\$3,413,461)

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature did not approve a request to switch \$1.6 million from the employment security account to the general fund for the Jobs for Montana Graduates Program and career guidance and academic counseling programs, which are functions within the Research and Analysis Bureau. Instead, the Joint Appropriation Subcommittee on General Government requested that provisions be added to a bill to implement provisions of HB 2 to clarify that the employment security account may be used for these purposes. As discussed earlier in the narrative, HB 627 did not pass the legislature.

The legislature approved an executive request to provide for the purchase of equipment and update the metrology laboratory within the Business Services Division. However, the legislature passed HB 591 discussed above to increase the fees paid for licensing of weighing devices and appropriated the additional state special revenue funds for the request rather than use general fund.

The legislature approved a funding switch within the state special revenue fund for incumbent worker training, eliminating support from the employment security account and providing support from the worker training and economic development account. The legislature also approved a one-time-only funding switch for the Human Rights Bureau, using \$500,000 of available funding from federal reimbursements for investigations conducted by the office instead of general fund.

The legislature did not approve a request to add \$100,000 in general fund for personal services funding for 1.0 FTE for a grants coordinator to provide oversight for the AmeriCorps Grants.

The legislature approved additional vacancy savings of 2% for positions funded in HB 2 reducing personal service costs by \$1.8 million over the biennium including \$0.9 million in state special revenue and \$0.9 million of federal revenue.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Weights and Measures Equipment (Restricted/Biennial) is contingent upon the passage and approval of House Bill No. 591."

"Employment Relations Division includes a reduction in state special revenue of \$520,391 in fiscal year 2014 and \$493,141 in fiscal year 2015 and federal special revenue of \$388,035 in fiscal year 2014 and \$416,258 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	293.95	293.95	293.95	293.95	293.95	293.95	0.00	0.00%
Personal Services	14,375,781	15,812,593	15,822,482	15,849,426	30,188,374	31,671,908	1,483,534	4.91%
Operating Expenses	6,255,553	6,520,131	6,891,046	6,880,398	12,775,684	13,771,444	995,760	7.79%
Equipment & Intangible Assets	9,209	50,261	9,209	9,209	59,470	18,418	(41,052)	(69.03%)
Grants	9,031,994	9,319,862	8,483,517	8,483,517	18,351,856	16,967,034	(1,384,822)	(7.55%)
Transfers	333,399	171,867	333,399	333,399	505,266	666,798	161,532	31.97%
Debt Service	3,889	0	13,103	13,103	3,889	26,206	22,317	573.85%
Total Costs	\$30,009,825	\$31,874,714	\$31,552,756	\$31,569,052	\$61,884,539	\$63,121,808	\$1,237,269	2.00%
General Fund	0	0	3,246	3,246	0	6,492	6,492	n/a
State Special	9,558,551	10,684,411	9,141,677	9,141,879	20,242,962	18,283,556	(1,959,406)	(9.68%)
Federal Special	20,451,274	21,190,303	22,407,833	22,423,927	41,641,577	44,831,760	3,190,183	7.66%
Total Funds	\$30,009,825	\$31,874,714	\$31,552,756	\$31,569,052	\$61,884,539	\$63,121,808	\$1,237,269	2.00%

Program Description

The Workforce Services Division (WSD) operates as a gateway to government services including:

- Retraining and reemployment services for laid-off workers
- Employment and training services for people transitioning from welfare to work
- Employment services for youth, veterans, seasonal/migrant farm workers, and general job seekers

WSD operates four bureaus including:

- Job Service Operations Bureau which coordinates and guides the delivery of workforce development services to communities through a network of 25 Job Service Centers across the state.
- 21st Century Workforce Technology, Apprenticeship & Training Bureau administers the Apprenticeship and Training Program, Jobs for Montana Graduates, Incumbent Worker Training Program, and the State Workforce Investment Board (SWIB).
- Statewide Workforce Programs and Oversight Bureau performs oversight, regulatory, fiscal, tracking, registration, and support functions statewide for both state and federal programs such as the State Displaced Homemaker Program, Employee Protection Act, Workforce Investment Act (WIA), Trade Adjustment Assistance (TAA) and MontanaWorks.
- Research and Analysis Bureau works in partnership with the US Department of Labor to provide labor market information that is used at the national and state level by businesses, policy makers, and educators. The bureau also provides career resources for use by educators, students, workforce development agencies, and job seekers.

Program Highlights

Workforce Services Division	
Major Budget Highlights	
◆	Costs increases in personal services are due to: <ul style="list-style-type: none"> • Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4% • Increases for broadband pay adjustments
◆	Operating expenses increases are for: <ul style="list-style-type: none"> • Reinstating building maintenance costs transferred to the Department of Administration • Fixed costs, including information technology and rent
◆	Funding for the Incumbent Worker Training Program is eliminated in HB 2
◆	General fund is reduced \$0.5 million due to a funding shift to federal funds for the Human Rights Bureau

Program Narrative

The figure below shows the legislative budgets for each program within the division for the 2015 biennium.

Department of Labor and Industry Work Force Services Division 2015 Biennium Budget					
	Job Service Operations	Statewide Workforce Prms and Oversight	21st Century Workforce Tech Appren	Research & Analysis	2015 Biennium Total
FTE	246.35	10.62	16.12	20.86	293.95
Costs					
Personal Services	\$25,755,628	\$1,443,709	\$1,782,331	\$2,690,240	\$31,671,908
Operating Costs	10,879,585	617,052	800,557	1,474,250	13,771,444
Equipment and Intangible Assets	18,418	0	0	0	18,418
Grants	8,103,170	8,579,864	284,000	0	16,967,034
Transfers	350,042	316,756	0	0	666,798
Debt Service	26,206	0	0	0	26,206
Total Costs	<u>\$45,133,049</u>	<u>\$10,957,381</u>	<u>\$2,866,888</u>	<u>\$4,164,490</u>	<u>\$63,121,808</u>
Funding					
General Fund	\$0	\$0	\$0	\$6,492	\$6,492
State Special Revenue	14,226,411	516,768	2,303,761	1,236,616	18,283,556
Federal Special Revenue	<u>30,906,638</u>	<u>10,440,613</u>	<u>563,127</u>	<u>2,921,382</u>	<u>44,831,760</u>
Total Funding	<u>\$45,133,049</u>	<u>\$10,957,381</u>	<u>\$2,866,888</u>	<u>\$4,164,490</u>	<u>\$63,121,808</u>

The majority of the funding is budgeted for job service operations that support job service offices around Montana. Changes to the budget include an increase of \$2.8 million in personal services when compared to the FY 2012 base budget as part of the changes made in the statewide present law adjustments. The bureau experienced a significant level of vacancies during the base year with an overall rate of 9.1%. The legislature approved refunding the vacancies, including full funding for the 26.5 FTE or 10.7% of the positions that were open at the time the budget was established.

Other increases approved by the legislature in personal services include:

- Broadband pay increases granted throughout FY 2012 that are annualized for the 2015 biennium
- Statutorily required longevity increases

Operating expenses increase due to:

- State Information Technology Services Division fixed costs - \$0.7 million
- Increased costs for building maintenance by the amount transferred to the Architecture and Engineering Division for maintenance on the Helena Job Service Office - \$0.5 million

The majority of the increases are supported by additional federal funds. State special revenues decline due to a funding shift from state special revenues to federal funds that is contained in the statewide present law adjustments.

The legislature provided \$1.3 million in funding from the worker training and economic development account in the state special revenue fund to support the Incumbent Worker Training Program. The statutory authority for the funding and the transfer mechanism to establish the funding for the account was included in HB 627, which failed to pass the legislature. The Governor then eliminated the appropriation through a line item veto. In addition, the legislature provided \$2.0 million in state special revenue from a general fund transfer for the operations of the Department of Labor and Industry. The division could either fund the program utilizing \$1.3 million of the funding provided in SB 410 or eliminate the program.

HB 627 also included amendments to statute that authorized further uses of the employment security account, including funding the Jobs for Montana Graduates Program and a portion of the Research and Analysis Bureau functions. The 2011 Legislature appropriated funds for these programs from the employment security account without changing the statute. The 2013 Legislature continued funding the programs from the employment security account at \$1.7 million over the biennium but included the uses in HB 627, which failed to pass. Legislative legal staff states that statute likely allows continued use of these funds for these purposes.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Work Force Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$6,492	\$0	\$0	\$6,492	0.0%		
State Special Total	\$18,283,556	\$0	\$0	\$18,283,556	29.0%		
02258 Employment Security Account	\$18,116,181	\$0	\$0	\$18,116,181	28.7%		
02455 Workers' Comp Regulation	\$167,375	\$0	\$0	\$167,375	0.3%		
Federal Special Total	\$44,831,760	\$0	\$0	\$44,831,760	71.0%		
03124 Employment Trng Grants	\$17,397,438	\$0	\$0	\$17,397,438	27.5%		
03128 L & I Federal Funding	\$522,596	\$0	\$0	\$522,596	0.8%		
03131 Osha Stat Prgm Fed.st Sdy	\$171,363	\$0	\$0	\$171,363	0.3%		
03194 Research/analysis Crn	\$1,506,559	\$0	\$0	\$1,506,559	2.4%		
03197 Wsd-dept Of Education Grant	\$2,395,480	\$0	\$0	\$2,395,480	3.8%		
03297 Labor And Industry Veteran Gra	\$1,100,000	\$0	\$0	\$1,100,000	1.7%		
03682 Wagner Peyser	\$10,374,508	\$0	\$0	\$10,374,508	16.4%		
03692 Alien Labor Certification(alc)	\$173,654	\$0	\$0	\$173,654	0.3%		
03693 Wrk Opportunities Tx Crdt/wote	\$201,101	\$0	\$0	\$201,101	0.3%		
03694 Trade Adjustment Assist/nafta	\$10,972,601	\$0	\$0	\$10,972,601	17.4%		
03954 Ui Administrative Grants	\$16,460	\$0	\$0	\$16,460	0.0%		
Proprietary Total	\$0	\$31,600	\$0	\$31,600	0.1%		
06051 Montana Career Info System	\$0	\$31,600	\$0	\$31,600	0.1%		
Total All Funds	\$63,121,808	\$31,600	\$0	\$63,153,408	100.0%		
Percent - Total All Sources	99.9%	0.1%	0.0%				

HB 2 Funding

The majority of the state special revenue funding is from the employment security account. The revenue for this account is generated from an administrative assessment against the payroll of Montana employers. Statute enumerates the uses of the fund, including the operating expenses of the job service offices.

Approximately 70% of the total funding for the Workforce Services Division is from federal special revenue. Nearly 90% of this funding is from three federal programs: 1) Wagner-Peyser Act; 2) Workforce Investment Act; and 3) Trade Adjustment Assistance Program (Trade Act of 1974). The uses and requirements for these funds are determined by the federal agencies granting the funding.

Proprietary Funds

The proprietary funding is considered and approved as rates charged to entities participating in the Montana Career Information System and are discussed in the "Proprietary Rates" section of the narrative.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	30,009,825	30,009,825	60,019,650	95.09%
Statewide PL Adjustments	0	0	0	0.00%	1,891,414	1,908,178	3,799,592	6.02%
Other PL Adjustments	3,246	3,246	6,492	100.00%	276,220	276,261	552,481	0.88%
New Proposals	0	0	0	0.00%	(624,703)	(625,212)	(1,249,915)	(1.98%)
Total Budget	\$3,246	\$3,246	\$6,492		\$31,552,756	\$31,569,052	\$63,121,808	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,176,931					2,198,181
Vacancy Savings					(662,024)					(662,851)
Inflation/Deflation					(11,269)					(5,172)
Fixed Costs					387,776					378,020
Total Statewide Present Law Adjustments										
	\$0		(\$51,282)	\$1,942,696	\$1,891,414		\$0	(\$50,612)	\$1,958,790	\$1,908,178
DP 50 - Initial Motion to FY 2012 Base										
	0.00	0	51,282	(1,942,696)	(1,891,414)	0.00	0	50,612	(1,958,790)	(1,908,178)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	0	511,632	1,003,275	1,514,907	0.00	0	518,920	1,016,410	1,535,330
DP 52 - Adjustment for Statewide Operations										
	0.00	0	137,586	241,785	379,371	0.00	0	136,452	239,301	375,753
DP 53 - Base Funding Switch										
	0.00	0	(697,636)	697,636	0	0.00	0	(703,079)	703,079	0
DP 104 - WSD Rent Adjustment										
	0.00	3,246	11,633	13,863	28,742	0.00	3,246	11,633	13,863	28,741
DP 105 - Reinstate for Appropriation Transfer										
	0.00	0	244,614	0	244,614	0.00	0	244,614	0	244,614
Total Other Present Law Adjustments										
	0.00	\$3,246	\$259,111	\$13,863	\$276,220	0.00	\$3,246	\$259,152	\$13,863	\$276,261
Grand Total All Present Law Adjustments										
	0.00	\$3,246	\$207,829	\$1,956,559	\$2,167,634	0.00	\$3,246	\$208,540	\$1,972,653	\$2,184,433

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 104 - WSD Rent Adjustment - The legislature approved \$28,742 in each year of the biennium for an increase in off campus rent related to job service offices around the state.

DP 105 - Reinstate for Appropriation Transfer - The legislature approved an appropriation transfer to the Architecture and Engineering Division in the Department of Administration for building maintenance.

New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Legal Funding Switch										
01	0.00	0	16,443	0	16,443	0.00	0	16,443	0	16,443
DP 107 - Worker Training and Economic Development (OTO)										
01	0.00	0	(641,146)	0	(641,146)	0.00	0	(641,655)	0	(641,655)
Total	0.00	\$0	(\$624,703)	\$0	(\$624,703)	0.00	\$0	(\$625,212)	\$0	(\$625,212)

DP 101 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

DP 107 - Worker Training and Economic Development (OTO) - The legislature included a worker training and economic development account in the state special revenue fund for the purpose of providing a source of revenue to fund the costs that the state incurred in programs for incumbent worker training in HB 2. The funding change reduced support for the Incumbent Worker Training Program from the employment security account and changed the funding to the worker training and economic development account. The legislature failed to approve HB 627, which included the statutory authority for the new funding. As a result, the Governor vetoed the line item appropriation for the Incumbent Worker Training Program in HB 2 and only the reduction from the employment security account remains in HB 2.

Proprietary Rates

Montana Career Info System - 06051

Program Description

The purpose of Montana Career Information System (MCIS) is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. MCIS is currently being funded by a College Access Challenge Grant for a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. When the grant ends, MCIS will need to seek other funding or resort back to license fees for the basic system.

There are currently optional components of MCIS not funded by the grant that requires the program to collect fees associated with each optional component.

Program Narrative

Expenses

The expenses of the proprietary program are limited to the operational expenses of the optional features. These are typically site specific licensing fees.

Revenues

Revenue is generated through fees for purchase of a one year optional component license.

Proprietary Rates

For the 2015 biennium the following rates were approved by the legislature. The rates have not changed from those charged in the base year IDEAS Assessment:

- \$100 per site license per year
- Dependable Strengths: \$200 per site license per year
- Peterson's Academic Practice Tests: (per site, per practice test package)
- Enrollment up to 200 - \$225
- Enrollment 201-500 - \$275
- Enrollment over 500 - \$325
- Peterson's Civil Service Practice Test Package: (per site)
- Schools - \$200
- Agencies - \$225

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	153.00	153.00	153.00	153.00	153.00	153.00	0.00	0.00%
Personal Services	7,971,387	7,927,029	8,286,216	8,287,792	15,898,416	16,574,008	675,592	4.25%
Operating Expenses	4,790,355	5,146,089	5,163,252	5,309,934	9,936,444	10,473,186	536,742	5.40%
Transfers	87,345	75,000	87,345	87,345	162,345	174,690	12,345	7.60%
Debt Service	0	3,775	0	0	3,775	0	(3,775)	(100.00%)
Total Costs	\$12,849,087	\$13,151,893	\$13,536,813	\$13,685,071	\$26,000,980	\$27,221,884	\$1,220,904	4.70%
State Special	3,502,688	3,718,627	3,847,656	3,847,656	7,221,315	7,695,312	473,997	6.56%
Federal Special	9,346,399	9,433,266	9,689,157	9,837,415	18,779,665	19,526,572	746,907	3.98%
Total Funds	\$12,849,087	\$13,151,893	\$13,536,813	\$13,685,071	\$26,000,980	\$27,221,884	\$1,220,904	4.70%

Program Description

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to unemployed workers. The bureaus are: Contributions, Claims Processing, and Program Support. The Contributions Bureau is responsible for UI employer registration, contribution rate assignments, tax and wage report collection, wage revisions, and employer audits. The Claims Processing Bureau has two claims processing centers (Billings and Helena) that file and process claims (monetary eligibility, issue investigation, adjudication, and employer charging) and respond to all UI claim related inquiries. The Claims Processing Bureau is also responsible for Trade Readjustment Assistance, military, federal, and multi-state claims. The Program Support Bureau manages the information technology systems and infrastructure, the division budget and accounting, and the UI trust fund. They also provide management analysis and research for economic, program management, reporting, and legislative purposes in addition to operating tax and benefit quality control, benefit payment control, and integrity programs.

Program Highlights

Unemployment Insurance Division Major Budget Highlights	
♦	Personal services costs increase due to: <ul style="list-style-type: none"> • Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4% ▪ Increases for broadband pay adjustments
♦	Operating costs increases include: <ul style="list-style-type: none"> • Fixed costs, including rent and information technology services ▪ Postage and mailing associated with unemployment insurance benefits

Program Narrative

Personal services increases contained in the statewide present law adjustments for the division include:

- Fully funding positions that had experienced an actual vacancy rate in the base year of about 6%, compared to the 2015 biennium budgeted rate of 4%
- Annualization of broadband pay increases granted to most employees within the division
- Longevity and performance adjustments

Operating expenses increase due to:

- Rent increase
- SITSD fixed cost increase for the unemployment insurance information technology system
- Postage and mailing increases mainly related to unemployment insurance benefits to unemployed workers

State special revenues increase due to a funding shift from federal funds to state special revenue that is included in the statewide present law adjustments. The shift increased state special revenue support for the division by \$0.21 million in FY 2014 and \$0.17 million in FY 2015.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Unemployment Insurance Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$7,695,312	\$0	\$0	\$7,695,312	2.4%		
02258 Employment Security Account	\$7,555,312	\$0	\$0	\$7,555,312	2.3%		
02315 Dli Info Exchange/rental	\$140,000	\$0	\$0	\$140,000	0.0%		
Federal Special Total	\$19,526,572	\$0	\$0	\$19,526,572	6.0%		
03278 Ui Penalty & Interest	\$1,140,000	\$0	\$0	\$1,140,000	0.4%		
03954 Ui Administrative Grants	\$18,386,572	\$0	\$0	\$18,386,572	5.7%		
Proprietary Total	\$0	\$296,472,656	\$0	\$296,472,656	91.6%		
06069 Ui Tax Benefit Fund	\$0	\$296,472,656	\$0	\$296,472,656	91.6%		
Total All Funds	\$27,221,884	\$296,472,656	\$0	\$323,694,540	100.0%		
Percent - Total All Sources	8.4%	91.6%	0.0%				

HB 2 Funding

The HB 2 funded functions of the division support the administrative and operational portions of unemployment insurance. The majority of the state special revenues are derived from an assessment charged to employers as a percentage of their payroll and deposited into the employment security account. Unemployment insurance (UI) administrative grants are federal funds that Montana receives for the administration of the unemployment insurance program. Montana businesses pay a federal unemployment tax that is partially used to fund these grants.

Proprietary Funding

State unemployment taxes (SUTA) are paid into a proprietary account to fund unemployment benefits for claimants. The amount of the tax depends on the ratio of unemployment insurance trust fund balance to the total covered wages in Montana and the employer's experience. Montana uses 11 schedules with 9 contribution rates in each schedule to assess the SUTA. In calendar year 2012 Montana used schedule VII, while in calendar year 2013 the rate is calculated using schedule VI, a reduction in costs to Montana employers.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	12,849,087	12,849,087	25,698,174	94.40%
Statewide PL Adjustments	0	0	0	0.00%	499,805	648,063	1,147,868	4.22%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	187,921	187,921	375,842	1.38%
Total Budget	\$0	\$0	\$0		\$13,536,813	\$13,685,071	\$27,221,884	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					659,650					661,304
Vacancy Savings					(344,821)					(344,899)
Inflation/Deflation					16,840					32,654
Fixed Costs					168,136					299,004
Total Statewide Present Law Adjustments										
	\$0		\$344,968	\$154,837	\$499,805		\$0	\$344,968	\$303,095	\$648,063
DP 50 - Initial Motion to FY 2012 Base										
	0.00	0	(344,968)	(154,837)	(499,805)	0.00	0	(344,968)	(303,095)	(648,063)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	0	85,823	229,006	314,829	0.00	0	86,253	230,152	316,405
DP 52 - Adjustment for Statewide Operations										
	0.00	0	50,425	134,551	184,976	0.00	0	90,411	241,247	331,658
DP 53 - Base Funding Switch										
	0.00	0	208,720	(208,720)	0	0.00	0	168,304	(168,304)	0
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments										
	0.00	\$0	\$344,968	\$154,837	\$499,805	0.00	\$0	\$344,968	\$303,095	\$648,063

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

New Proposals

New Proposals		Fiscal 2014				Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Legal Funding Switch										
02	0.00	0	0	187,921	187,921	0.00	0	0	187,921	187,921
Total	0.00	\$0	\$0	\$187,921	\$187,921	0.00	\$0	\$0	\$187,921	\$187,921

DP 201 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

Proprietary Rates**UI Tax Benefit Fund - 06069***Program Description*

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their unemployment insurance. DLI expends the funds by paying unemployment insurance benefit claims.

*Program Narrative*Expenses

Significant costs for the program are for unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

Revenues

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund.

Significant Present Law Adjustments

The division reduced the FY 2012 base for unemployment benefits and claims by \$70 million each year of the 2015 biennium. The reduction reflects the anticipated elimination of federal support for emergency unemployment insurance benefits that provided extended benefits for unemployed workers during the Great Recession.

Figure 3 shows the unemployment insurance benefits made during the last four fiscal years, as well as the percentage increase or decrease from the preceding period.

Figure 3

Department of Labor and Industry Unemployment Insurance Division Unemployment Insurance Benefits						
Fiscal Year	Regular Unemployment Insurance	Trade Adjustment Readjustment	Emergency Unemployment Compensation	UI Benefits Modernization	Total	% Change
2009	180,456,413	177,273	41,373,353	5,848	222,012,887	
2010	197,098,174	352,955	121,921,938	3,715,952	323,089,019	45.53%
2011	157,091,080	2,023,599	103,806,117	6,433,280	269,354,076	-16.63%
2012	134,200,858	2,065,957	73,217,900	7,425,196	216,909,911	-19.47%

As shown, the continuing benefits peaked in FY 2010 and have declined more than 16% in FY 2011 and FY 2012. Changes to the length of time Emergency Unemployment Compensation Benefits (EUC) are provided through federal funding have changed as a result of sequestration and changes to the number of weeks benefits will be paid enacted by Congress. Emergency Unemployment extended benefits are based on a number of tiers. Figure 4 shows the tiers and the various federal requirements included in the program as included in the Middle Class Tax Relief and Job Creation Act of 2012.

Figure 4

Department of Labor and Industry Unemployment Insurance Division Emergency Unemployment Compensation		
Benefit Tier	Weeks of Extended Benefits	Criteria*
Tier 1	14	No state unemployment rate requirements
Tier 2	14	3-month seasonally adjusted total unemployment year of at least 6.0%
Tier 3	9	3-month seasonally adjusted total unemployment year of at least 7.0%
Tier 4	10	3-month seasonally adjusted total unemployment year of at least 9.0%

* Montana's unemployment rate was 6.3% in FY 2012

Beginning May 5, 2013 new EUC claims are reduced almost 20% for the weekly benefit payment, the maximum benefit amount is also reduced by about 20%.

Proprietary Rates

The Unemployment Insurance Division administers the state unemployment insurance law. The proprietary rate is set in statute under 39-5-1217, MCA.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	17.00	17.00	9.00	9.00	17.00	9.00	(8.00)	(47.06%)
Personal Services	1,138,658	1,227,796	613,997	613,775	2,366,454	1,227,772	(1,138,682)	(48.12%)
Operating Expenses	324,338	405,654	175,441	174,834	729,992	350,275	(379,717)	(52.02%)
Total Costs	\$1,462,996	\$1,633,450	\$789,438	\$788,609	\$3,096,446	\$1,578,047	(\$1,518,399)	(49.04%)
General Fund	277,929	279,307	183,517	183,242	557,236	366,759	(190,477)	(34.18%)
State Special	583,520	685,338	221,626	221,581	1,268,858	443,207	(825,651)	(65.07%)
Federal Special	541,511	580,288	384,295	383,786	1,121,799	768,081	(353,718)	(31.53%)
Other	60,036	88,517	0	0	148,553	0	(148,553)	(100.00%)
Total Funds	\$1,462,996	\$1,633,450	\$789,438	\$788,609	\$3,096,446	\$1,578,047	(\$1,518,399)	(49.04%)

Program Description

The Commissioner's Office and the Centralized Services Division provide program direction, legal, administration, and support services to the department's five programs and two administratively attached entities.

Program Highlights

Commissioner's Office Major Budget Highlights	
♦	The budget for the Commissioner's Office contained in HB 2 decreases due to a switch of the funding for the Office of Legal Services from support provided by revenues appropriated in HB 2 to proprietary funding
♦	Proprietary funding supports the Office of Legal Services, Centralized Services Division, and the Office of Information Technology

Program Narrative

The budget for the Commissioner's Office decreases due to a switch in the funding for the Office of Legal Services from support provided by revenues appropriated in HB 2 to proprietary funding. The remaining services provided in HB 2 are mainly for the Hearings Unit function that holds impartial administrative hearings and provides dispute resolution services in unemployment insurance cases, wage and hour claims, public employee collective bargaining and unfair labor practices cases, state employee classification appeals and grievances, uninsured employer regulatory matters, professional and occupational licensing appeals, and human rights complaints. A small appropriation of state special revenues is also provided for operating costs of \$20,900 each year in the Commissioner's Office.

Figure 5 shows a comparison between the FY 2012 base costs and the changes for the 2015 biennium for the Hearings Unit, the majority of the remaining budget included in HB2.

Figure 5

Department of Labor and Industry Commissioner's Office/ Centralized Services Division Hearing Unit 2015 Biennium Budget					
	FY 2012	FY 2014	% Change	FY 2015	% Change
FTE	9.00	9.00	0.00%	9.00	0.00%
Costs					
Personal Services	593,999	613,997	3.37%	613,775	3.33%
Operating Costs	<u>164,036</u>	<u>154,563</u>	<u>-5.77%</u>	<u>153,956</u>	<u>-6.14%</u>
Total Costs	758,035	768,560	1.39%	767,731	1.28%
Funding					
General Fund	178,272	183,517	2.94%	183,242	2.79%
State Special Revenue	189,647	200,748	5.85%	200,703	5.83%
Federal Revenue	<u>390,116</u>	<u>384,295</u>	<u>-1.49%</u>	<u>383,786</u>	<u>-1.62%</u>
Total Funding	758,035	768,560	1.39%	767,731	1.28%

Changes within the budget include:

- Increases for the personal services are due to longevity and performance adjustments
- Decreases in operating costs that are the result of reductions for the costs of SITSD that are allocated to the hearing unit

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Commissioner'S Office/Csd							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$366,759	\$0	\$0	\$366,759	2.2%		
State Special Total	\$443,207	\$0	\$0	\$443,207	2.7%		
02233 Bsd Hearings	\$70,555	\$0	\$0	\$70,555	0.4%		
02258 Employment Security Account	\$358,141	\$0	\$0	\$358,141	2.2%		
02315 Dli Info Exchange/rental	\$2,142	\$0	\$0	\$2,142	0.0%		
02455 Workers' Comp Regulation	\$12,369	\$0	\$0	\$12,369	0.1%		
Federal Special Total	\$768,081	\$0	\$0	\$768,081	4.6%		
03122 Eeoc	\$64,722	\$0	\$0	\$64,722	0.4%		
03954 Ui Administrative Grants	\$703,359	\$0	\$0	\$703,359	4.2%		
06546 Commissioner's Office/csd	\$0	\$6,973,341	\$0	\$6,973,341	42.1%		
06552 Admin Services	\$0	\$4,174,791	\$0	\$4,174,791	25.2%		
06568 Office Of Information Tech	\$0	\$3,853,047	\$0	\$3,853,047	23.2%		
Total All Funds	\$1,578,047	\$15,001,179	\$0	\$16,579,226	100.0%		
Percent - Total All Sources	9.5%	90.5%	0.0%				

HB 2 Funding

HB 2 funding mainly supports the Hearings Unit within the Centralized Services Division. The state special revenue is mainly derived from the assessments on employers and deposited into the Employment Security Account. Unemployment insurance administrative grants make up the majority of the federal funding.

Proprietary rates

The Commissioner's Office has three different proprietary funding sources for the operations of the various functions within the office. A discussion of the proposed uses and funding for each of the functions is included under the Proprietary Rates section of the narrative. These funds are considered and approved as rates charged to other divisions within the agency.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	277,929	277,929	555,858	151.56%	1,462,996	1,462,996	2,925,992	185.42%
Statewide PL Adjustments	8,731	8,609	17,340	4.73%	162,529	163,379	325,908	20.65%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(103,143)	(103,296)	(206,439)	(56.29%)	(836,087)	(837,766)	(1,673,853)	(106.07%)
Total Budget	\$183,517	\$183,242	\$366,759		\$789,438	\$788,609	\$1,578,047	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				Total Funds
	General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
Personal Services				223,858					226,197
Vacancy Savings				(54,501)					(54,594)
Inflation/Deflation				119					356
Fixed Costs				(6,947)					(8,580)
Total Statewide Present Law Adjustments	\$8,731	\$79,410	\$65,381	\$162,529*	\$8,609	\$79,983	\$65,203	\$163,379*	
DP 50 - Initial Motion to FY 2012 Base	0.00	(8,731)	(79,410)	(65,381)	0.00	(8,609)	(79,983)	(65,203)	(163,379)*
DP 51 - Adjustment for Statewide Personal Services	0.00	26,462	86,440	43,347	0.00	26,769	87,730	43,779	171,603*
DP 52 - Adjustment for Statewide Operations	0.00	(1,843)	(928)	(4,289)	0.00	(2,100)	(1,510)	(4,777)	(8,224)*
DP 53 - Base Funding Switch	0.00	(15,888)	(6,102)	26,323	0.00	(16,060)	(6,237)	26,201	0*
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0*	0.00	\$0	\$0	\$0	\$0*
Grand Total All Present Law Adjustments	0.00	\$8,731	\$79,410	\$65,381	0.00	\$8,609	\$79,983	\$65,203	\$163,379*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 301 - Legal Funding Switch										
03	(8.00)	(103,143)	(441,304)	(222,597)	(836,087)*	(8.00)	(103,296)	(441,922)	(222,928)	(837,766)*
Total	(8.00)	(\$103,143)	(\$441,304)	(\$222,597)	(\$836,087)*	(8.00)	(\$103,296)	(\$441,922)	(\$222,928)	(\$837,766)*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 301 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

Proprietary Rates

Program Description

The proprietary programs included in the Commissioner's Office include:

- Centralized Services Division
- Legal Unit
- Office of Information Technology

Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through a cost allocation plan whereby the department programs are assessed a percentage of their personal service costs. Services provided by the cost allocation plan include: budgeting, accounting and fiscal management, internal controls, contracting, purchasing, asset management, human resources, payroll, and benefits.

The Office of Information Technology provides network support to the department's five programs and two administratively attached entities. The office is funded by revenues generated through the collection of a cost recovery rate, based on full time equivalent positions in each division.

The Office of Legal Services provides legal assistance to the department's five programs and two administratively attached entities. Previously, support for 8.00 FTE and related operating costs were budgeted and funded within HB 2. These staff provided legal services to the programs within DOLI with the exception of the Business Standards Division. Services of the remaining 11.75 FTE within the office were charged to the Business Standards Division at an hourly rate. The legislature approved moving the 8.00 FTE from HB 2 into the proprietary fund. The legal services provided to the divisions other than Business Services will be charged on an hourly rate in the 2015 biennium.

Figure 6 shows the 2015 biennium budget for the various proprietary programs approved through the rates by the legislature.

Figure 6

Department of Labor and Industry Commissioner's Office/Centralized Services Division 2015 Biennium Budgets for Proprietary Funds				
	Centralized Services Division	Office of Information Technology	Legal Unit	Total Proprietary Budget
FTE	33.50	21.50	20.75	75.75
Costs				
Personal Services	\$4,071,954	\$3,054,297	\$3,453,987	\$10,580,238
Operating Expenses	<u>2,901,387</u>	<u>798,750</u>	<u>720,804</u>	<u>4,420,941</u>
Total Costs	6,973,341	3,853,047	4,174,791	15,001,179
Funding				
Proprietary	<u>6,973,341</u>	<u>3,853,047</u>	<u>4,174,791</u>	<u>15,001,179</u>
Total Funding	6,973,341	3,853,047	4,174,791	15,001,179

As shown, the budgeted amount of funding to be charged to the various divisions for the functions in the Commissioner's Office is estimated to be \$15.0 million over the 2015 biennium. The costs for the various programs increased when compared to the 2012 base as follows:

- Centralized Services Division – 22.2%
- Office of Information Technology – (1.6%)
- Legal Unit – 8.7%

Expenses

Significant costs for the programs are:

- Personal services of \$10.58 million over the biennium for 75.75 FTE
- Operating costs of \$4.42 million over the biennium including:
 - \$0.8 million in statewide indirect costs
 - \$0.3 million in rent
 - \$0.2 million in SITSD costs

Revenues

The Commissioner's Office/Centralized Services Division is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based on federally calculated and legislatively approved indirect cost rates applied to actual personal service expenditures as well as rates charged based on time distribution and full time equivalent positions.

The funds used to pay for the services are comprised of approximately 2% general fund, 64% state special revenue funds, 29% federal special revenue funds, and 5% proprietary funds.

Proprietary Rates

The cost allocation rate (CAP) must be approved by the U.S. Department of Labor, which has requirements including a working capital of no more than 60 days. The rate, which is assessed to personal service expenditures, is determined by calculating the total costs of providing the services divided by the projected department personal services expenditures. The rate for the 2015 biennium is 8.00%, compared to a FY 2012 rate of 8.24%.

The Office of Information Technology rate (OIT) must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The monthly rate is calculated based on the projected cost of services for the 2015 biennium divided by the total number of active directory accounts in the department divided by 12 months. The rate is \$192 per month per full time equivalent position for the 2015 biennium.

The Office of Legal Services rate must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The rate per hour is calculated on projected costs of services for the 2015 biennium divided by the projected direct hours of service to be provided in the 2015 biennium. The rate for the 2015 biennium is \$95 per hour.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	130.60	130.60	130.60	130.60	130.60	130.60	0.00	0.00%
Personal Services	7,338,563	7,884,282	7,404,678	7,413,111	15,222,845	14,817,789	(405,056)	(2.66%)
Operating Expenses	3,918,106	4,816,985	4,439,893	4,444,799	8,735,091	8,884,692	149,601	1.71%
Equipment & Intangible Assets	90,810	0	90,810	90,810	90,810	181,620	90,810	100.00%
Benefits & Claims	91,464	74,840	91,464	91,464	166,304	182,928	16,624	10.00%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$11,438,943	\$12,776,107	\$12,026,845	\$12,040,184	\$24,215,050	\$24,067,029	(\$148,021)	(0.61%)
General Fund	1,073,320	1,080,436	974,437	1,000,441	2,153,756	1,974,878	(178,878)	(8.31%)
State Special	9,744,309	10,978,490	10,422,986	10,463,446	20,722,799	20,886,432	163,633	0.79%
Federal Special	621,314	717,181	629,422	576,297	1,338,495	1,205,719	(132,776)	(9.92%)
Total Funds	\$11,438,943	\$12,776,107	\$12,026,845	\$12,040,184	\$24,215,050	\$24,067,029	(\$148,021)	(0.61%)

Program Description

The Employment Relations Division (ERD) provides five service areas to the public: 1) Workers' Compensation (WC) Regulation Bureau, which regulates WC insurance coverage requirements, policy compliance, medical regulations, contractor registration, and independent contractor exemptions; 2) WC Claims Assistance Bureau, which assists organizations and individuals to arrive at early, less expensive settlements of their disputes, and provides management information on the workers' compensation system; 3) Labor Standards Bureau (and administratively attached Board of Personnel Appeals), which enforces state and federal labor laws related to the payment of wages and provides collective bargaining mediation; 4) Safety and Health Bureau, which administers federal and state industrial safety laws; and 5) Human Rights Bureau (and administratively attached Human Rights Commission), which enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education. ERD also has one bureau, Management Services Bureau, that provides administrative and IT support to the other five bureaus.

Program Highlights

Employment Relations Division Major Budget Highlights	
♦	Cost increases in personal services are due to: <ul style="list-style-type: none"> Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4% Longevity and broadband pay adjustments
♦	Increases are more than offset by increased vacancy savings of 2% for the agency, which is included in this budget. The legislature included language in HB 2 allowing the agency to allocate the reductions among the various divisions when it established operating plans for the 2015 biennium

Program Narrative

The legislature approved additional vacancy savings of 2% for the Department of Labor and Industry. The reduction was calculated on an agency wide basis but taken in the Employment Relations Division. The impact on the overall level of personal services funding was a reduction of \$1.8 million over the biennium. The legislature included language in HB 2 that allows the agency to allocate the reduction throughout the agency. Without the reduction the biennial change

between the 2013 and 2015 biennia is an increase of \$1.7 million or 6.9%. The majority of the increase was provided in personal services, including:

- Funding vacancy savings at a budgeted rate of 4% compared to an actual FY 2012 rate of 12.7%
- Increases for longevity and broadband pay adjustments

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Employment Relations Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,974,878	\$0	\$0	\$1,974,878	7.3%		
State Special Total	\$20,886,432	\$0	\$1,528,006	\$22,414,438	82.8%		
02258 Employment Security Account	\$3,014,834	\$0	\$0	\$3,014,834	11.1%		
02263 Subsequent Injury Admin	\$89,449	\$0	\$0	\$89,449	0.3%		
02315 Dli Info Exchange/rental	\$12,000	\$0	\$0	\$12,000	0.0%		
02346 Contractor Registration	\$1,712,434	\$0	\$0	\$1,712,434	6.3%		
02455 Workers' Comp Regulation	\$13,301,900	\$0	\$0	\$13,301,900	49.1%		
02941 Uninsured Employer Fund	\$2,755,815	\$0	\$1,528,006	\$4,283,821	15.8%	39-71-503	Direct
Federal Special Total	\$1,205,719	\$0	\$0	\$1,205,719	4.5%		
03122 Eeoc	\$760,975	\$0	\$0	\$760,975	2.8%		
03130 Coal Mine Safety	\$88,162	\$0	\$0	\$88,162	0.3%		
03195 On-site Consultation	\$356,582	\$0	\$0	\$356,582	1.3%		
Proprietary Total	\$0	\$1,470,692	\$0	\$1,470,692	5.4%		
06040 Subsequent Injury-trust Fund	\$0	\$1,470,692	\$0	\$1,470,692	5.4%		
Total All Funds	\$24,067,029	\$1,470,692	\$1,528,006	\$27,065,727	100.0%		
Percent - Total All Sources	88.9%	5.4%	5.6%				

HB 2 Funding

General fund supports the personal services and general operating costs of the Human Rights Bureau. The level of general fund support was reduced and federal funds increased. The federal Equal Employment Opportunity Commission contracts with the Human Rights Bureau to conduct investigations. The bureau has received federal reimbursements and accumulated a fund balance that the division did not have federal appropriation authority to use in previous biennia. The funding switch reduced general fund by \$475,000 one-time-only over the biennia.

State special revenue funds include:

- Employment security funds generated through an assessment charged to employers as a percentage of their payroll
- An annual administrative assessment of 3% of all compensation and medical benefits (excluding costs above \$200,000 per claim) paid during the previous calendar year that funds workers' compensation regulation
- Contractor registration funding supporting the Workers' Compensation Regulation Bureau and a portion of the Management Services Bureau. Registration fees for independent contractor exemptions and construction contractor application fees are deposited into the fund
- Uninsured employer fund assessments statutorily set at the premium uninsured employers would have paid had they been carrying workers' compensation insurance, with a minimum penalty of \$200. The funds are used to provide benefits to employees injured on the job while working for an employer that does not carry workers' compensation insurance as required by law

Proprietary Funds

The division oversees the subsequent injury fund, a proprietary account that assists disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The fund rate is based on the total amount of paid losses reimbursed by the fund in the preceding calendar year.

Statutory Appropriations

Payments for indemnity and medical benefits for workers injured while working for a business that does not carry workers' compensation insurance are statutorily appropriated to the division. The costs of administering the program are included as part of HB 2 appropriations.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,073,320	1,073,320	2,146,640	108.70%	11,438,943	11,438,943	22,877,886	95.06%
Statewide PL Adjustments	45,672	46,653	92,325	4.67%	899,741	911,737	1,811,478	7.53%
Other PL Adjustments	810	833	1,643	0.08%	33,631	35,947	69,578	0.29%
New Proposals	(145,365)	(120,365)	(265,730)	(13.46%)	(345,470)	(346,443)	(691,913)	(2.87%)
Total Budget	\$974,437	\$1,000,441	\$1,974,878		\$12,026,845	\$12,040,184	\$24,067,029	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
	-----Fiscal 2014-----					-----Fiscal 2015-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special
Personal Services					1,320,609				1,330,411
Vacancy Savings					(346,067)				(346,466)
Inflation/Deflation					(4,835)				(89)
Fixed Costs					(69,966)				(72,119)
Total Statewide Present Law Adjustments		\$45,672	\$757,333	\$96,736	\$899,741		\$46,653	\$768,263	\$96,821
DP 50 - Initial Motion to FY 2012 Base	0.00	(45,672)	(757,333)	(96,736)	(899,741)	0.00	(46,653)	(768,263)	(96,821)
DP 51 - Adjustment for Statewide Personal Services	0.00	119,800	789,317	65,423	974,540	0.00	120,663	797,245	66,036
DP 52 - Adjustment for Statewide Operations	0.00	(3,284)	(72,006)	490	(74,800)	0.00	(3,056)	(69,865)	714
DP 53 - Base Funding Switch	0.00	(70,845)	40,022	30,823	0	0.00	(70,954)	40,883	30,071
DP 402 - ERD Rent Adjustment	0.00	811	32,329	492	33,632	0.00	833	34,609	505
Total Other Present Law Adjustments	0.00	\$810	\$32,329	\$492	\$33,631	0.00	\$833	\$34,609	\$505
Grand Total All Present Law Adjustments	0.00	\$46,482	\$789,662	\$97,228	\$933,372	0.00	\$47,486	\$802,872	\$97,326

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 402 - ERD Rent Adjustment - The legislature approved funds each year of the biennium for an increase in off campus rent.

New Proposals

New Proposals										
Fiscal 2014						Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
04	0.00	0	(520,391)	(388,035)	(908,426)	0.00	0	(493,141)	(416,258)	(909,399)
DP 401 - Legal Funding Switch										
04	0.00	104,635	409,406	48,915	562,956	0.00	104,635	409,406	48,915	562,956
DP 403 - Funding Switch for the Human Rights Bureau (OTO)										
04	0.00	(250,000)	0	250,000	0	0.00	(225,000)	0	225,000	0
Total	0.00	(\$145,365)	(\$110,985)	(\$89,120)	(\$345,470)	0.00	(\$120,365)	(\$83,735)	(\$142,343)	(\$346,443)

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 401 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the legal structure. The legal fund switch includes an increase of \$562,956 in both years of the biennium of general fund, state special and federal special revenue. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the divisions in order to pay for legal services provided.

DP 403 - Funding Switch for the Human Rights Bureau (OTO) - The legislature reduced general fund by \$250,000 in FY 2014 and \$225,000 in FY 2015 and replaced the funding with available federal funds. The federal Equal Employment Opportunity Commission contracts with the Human Rights Bureau to conduct investigations. The bureau has received federal reimbursements and accumulated a fund balance. The available federal funds are used to support the program in the 2015 biennium, reducing the federal fund balance.

Proprietary Rates

Subsequent Injury Fund - 06040

Program Description

The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self-insured employers, private insurers, and the State Fund. The asset balance is maintained at approximately \$700,000 to provide an operating balance for payment of benefits and administrative costs. (39-71-901-920, MCA)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	151.03	151.03	154.03	154.03	151.03	154.03	3.00	1.99%
Personal Services	8,523,619	8,602,808	9,321,848	9,332,952	17,126,427	18,654,800	1,528,373	8.92%
Operating Expenses	5,803,038	6,276,039	5,874,721	5,846,468	12,079,077	11,721,189	(357,888)	(2.96%)
Equipment & Intangible Assets	22,008	223,973	336,583	298,967	245,981	635,550	389,569	158.37%
Grants	8,582	15,136	8,582	8,582	23,718	17,164	(6,554)	(27.63%)
Transfers	33,455	30,850	33,455	33,455	64,305	66,910	2,605	4.05%
Total Costs	\$14,390,702	\$15,148,806	\$15,575,189	\$15,520,424	\$29,539,508	\$31,095,613	\$1,556,105	5.27%
General Fund	0	0	0	0	0	0	0	n/a
State Special	14,388,649	15,136,137	15,575,189	15,520,424	29,524,786	31,095,613	1,570,827	5.32%
Federal Special	2,053	12,669	0	0	14,722	0	(14,722)	(100.00%)
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$14,390,702	\$15,148,806	\$15,575,189	\$15,520,424	\$29,539,508	\$31,095,613	\$1,556,105	5.27%

Program Description

The Business Standards Division consists of four bureaus:

- Building Codes Bureau
- Weights & Measures Bureau
- Health Care Licensing Bureau (HCLB)
- Business & Occupational Licensing Bureau (BOLB)

The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes throughout Montana. The bureau approves and certifies local government code enforcement programs adopted by the bureau and also assists the Board of Plumbers and State Electrical Board with license law enforcement by checking for proper licensing when inspecting projects for code compliance. The bureau also provides administrative, clerical, and compliance support for five licensing programs.

The Weights & Measures Bureau is responsible for licensing, inspecting, testing, and certifying all weighing and measuring devices used in making commercial transactions in Montana and enforces laws and regulations pertaining to the quantity control of prepackaged goods, the quality control of petroleum products, and is responsible for maintaining the state standards of mass and volume applied when calibrating other mass and volume standards used in testing commercial devices.

The HCLB provides administrative, clerical, and compliance support for 22 licensing boards and one program that license professionals and individuals working in the health care field. The licensing boards and program in HCLB include 130 board members and 8 advisory council members appointed by the Governor.

The BOLB provides administrative, clerical, and compliance support for 11 licensing boards and one licensing program that license professionals and individuals working in non-health-care-related professions and occupations. The licensing boards in BOLB include 78 board members appointed by the Governor.

Program Highlights

Business Services Division Major Budget Highlights	
♦	The majority of the budget changes in the division are due to personal services increases, including: <ul style="list-style-type: none"> • Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4% • Increases for broadband pay adjustments
♦	Equipment increases due to: <ul style="list-style-type: none"> • Reductions in spending in the FY 2012 base year • Funding to support the purchase of new metrology laboratory equipment used to inspect and test all commercial devices statewide

Program Narrative

Personal services increases include adjustments for:

- Restoring vacancy savings, which were 9.7% in FY 2012 compared to a budgeted rate of 4%
- Longevity and broadband pay adjustments

Operating costs decrease mainly due to reductions in the costs of SITSD services for the division. Equipment increases due to:

- Reductions in spending in the FY 2012 base year
- Funding to support the purchase of new metrology laboratory equipment used to inspect and test all commercial devices statewide

The legislature approved HB 591, which increases the licensing fees for weighing devices. The fees are based on the weighing capacity of the devices, ranging from \$20 per device with a capacity of 490 pound or less to \$280 for devices with a capacity of 60,001. The fee increases support the purchase of the metrology laboratory equipment used to determine the accuracy of the weighing devices. The agency estimates that the changes will generate an additional \$122,000 annually.

The legislature also approved HB 363 allowing the Board of Realty to hire staff rather than use DOLI staff to provide administrative, clerical, and compliance support and HB 582 allowing the Board of Public Accountants the same. Both bills were vetoed by the Governor. The funding for the department administration of the two boards remained in HB 2 and thus the division has sufficient appropriation authority to continue to provide administration oversight.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Business Standards Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$31,095,613	\$0	\$448	\$31,096,061	100.0%		
02024 Blaster Licensing	\$22,185	\$0	\$0	\$22,185	0.1%		
02078 Occupational Therapists	\$93,416	\$0	\$0	\$93,416	0.3%		
02079 Fire Protection & Permitting	\$133,488	\$0	\$0	\$133,488	0.4%		
02080 Prescription Drug Registry	\$177,386	\$0	\$0	\$177,386	0.6%		
02082 Real Estate Recovery Account	\$0	\$0	\$448	\$448	0.0%		
02109 Board Of Outfitters	\$1,166,389	\$0	\$0	\$1,166,389	3.8%		
02155 Boiler,blaster,crane Licensing	\$820,217	\$0	\$0	\$820,217	2.6%		
02207 Crane Licensing	\$182,115	\$0	\$0	\$182,115	0.6%		
02359 Chemical Dependency Counselors	\$231,657	\$0	\$0	\$231,657	0.7%		
02446 Board Of Psychologist Exam	\$247,396	\$0	\$0	\$247,396	0.8%		
02448 Building Codes State Spec Rev	\$7,643,674	\$0	\$0	\$7,643,674	24.6%		
02580 Bd Of Athletic Trainers	\$48,400	\$0	\$0	\$48,400	0.2%		
02679 Massage Therapists	\$213,070	\$0	\$0	\$213,070	0.7%		
02764 Bd Of Adolescent Res. Or Outdr Pgms	\$125,753	\$0	\$0	\$125,753	0.4%		
02767 Elevators	\$751,550	\$0	\$0	\$751,550	2.4%		
02805 Weights & Measures Bureau	\$2,236,969	\$0	\$0	\$2,236,969	7.2%		
02808 Board Of Landscape Architects	\$62,996	\$0	\$0	\$62,996	0.2%		
02809 Board Of Speech Pathologists	\$124,050	\$0	\$0	\$124,050	0.4%		
02822 Board Of Chiropractors	\$255,304	\$0	\$0	\$255,304	0.8%		
02811 Clinical Lab Science Pract.	\$142,914	\$0	\$0	\$142,914	0.5%		
02812 Physical Therapists	\$235,031	\$0	\$0	\$235,031	0.8%		
02813 Bd Of Nursing Home Admin	\$57,699	\$0	\$0	\$57,699	0.2%		
02814 Bd Of Hearing Aid Dispensers	\$170,603	\$0	\$0	\$170,603	0.5%		
02815 Board Of Public Accountants	\$932,868	\$0	\$0	\$932,868	3.0%		
02816 Board Of Sanitarians	\$63,885	\$0	\$0	\$63,885	0.2%		
02818 Electrical Board	\$853,385	\$0	\$0	\$853,385	2.7%		
02819 Board Of Realty Regulations	\$1,993,252	\$0	\$0	\$1,993,252	6.4%		
02820 Board Of Architects	\$152,520	\$0	\$0	\$152,520	0.5%		
02821 Board Of Funeral Service	\$315,382	\$0	\$0	\$315,382	1.0%		
02822 Board Of Chiropractors	\$255,304	\$0	\$0	\$255,304	0.8%		
02823 Professional Engineers	\$777,984	\$0	\$0	\$777,984	2.5%		
02824 Board Of Medical Examiners	\$2,592,641	\$0	\$0	\$2,592,641	8.3%		
02826 Cosmetology Board	\$1,115,595	\$0	\$0	\$1,115,595	3.6%		
02828 Board Of Plumbers	\$609,822	\$0	\$0	\$609,822	2.0%		
02829 Private Investigator	\$409,675	\$0	\$0	\$409,675	1.3%		
02830 Board Of Dentistry	\$547,721	\$0	\$0	\$547,721	1.8%		
02831 Board Of Optometrists	\$94,594	\$0	\$0	\$94,594	0.3%		
02832 Board Of Pharmacy	\$1,517,279	\$0	\$0	\$1,517,279	4.9%		
02833 Board Of Nursing	\$1,872,091	\$0	\$0	\$1,872,091	6.0%		
02834 Board Of Veterinarians	\$296,833	\$0	\$0	\$296,833	1.0%		
02840 Board Of Social Workers	\$532,111	\$0	\$0	\$532,111	1.7%		
02841 Board Of Athletics	\$13,646	\$0	\$0	\$13,646	0.0%		
02852 Bd. Of Alternative Health Care	\$142,023	\$0	\$0	\$142,023	0.5%		
02854 Bd. Of Real Estate Appraisers	\$803,799	\$0	\$0	\$803,799	2.6%		
02855 Bd Of Respiratory Care	\$94,761	\$0	\$0	\$94,761	0.3%		
Total All Funds	\$31,095,613	\$0	\$448	\$31,096,061	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

State special revenues included in this division are generated through licenses and fees charged to the various boards and professional licensing organizations.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	14,390,702	14,390,702	28,781,404	92.56%
Statewide PL Adjustments	0	0	0	0.00%	481,063	498,168	979,231	3.15%
Other PL Adjustments	0	0	0	0.00%	575,724	620,520	1,196,244	3.85%
New Proposals	0	0	0	0.00%	127,700	11,034	138,734	0.45%
Total Budget	\$0	\$0	\$0		\$15,575,189	\$15,520,424	\$31,095,613	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					999,911					1,011,742
Vacancy Savings					(376,567)					(377,037)
Inflation/Deflation					(15,937)					(5,746)
Fixed Costs					(126,344)					(130,793)
Total Statewide Present Law Adjustments		\$0	\$483,116	(\$2,053)	\$481,063		\$0	\$500,221	(\$2,053)	\$498,168
DP 50 - Initial Motion for FY 2012 Base	0.00	0	(483,116)	2,053	(481,063)	0.00	0	(500,221)	2,053	(498,168)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	623,368	(23)	623,345	0.00	0	634,726	(20)	634,706
DP 52 - Adjustment for Statewide Operations	0.00	0	(140,252)	(2,030)	(142,282)	0.00	0	(134,505)	(2,033)	(136,538)
DP 502 - BSD General Operating Adjustment	0.00	0	382,957	0	382,957	0.00	0	372,113	0	372,113
DP 503 - BSD - Other General	0.00	0	65,850	0	65,850	0.00	0	65,850	0	65,850
DP 504 - BSD - Online Processing	0.00	0	126,917	0	126,917	0.00	0	182,557	0	182,557
Total Other Present Law Adjustments		0.00	\$0	\$575,724	\$0	\$575,724	0.00	\$0	\$620,520	\$0
Grand Total All Present Law Adjustments		0.00	\$0	\$1,058,840	(\$2,053)	\$1,056,787	0.00	\$0	\$1,120,741	(\$2,053)

DP 50 - Initial Motion for FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 502 - BSD General Operating Adjustment - The legislature approved increased support for off campus rent, and in state travel, repair and maintenance, and other operational costs in the FY 2015 biennium.

DP 503 - BSD - Other General - The legislature approved additional state special revenue funding for the Board of Real Estate Appraisers to provide for the anticipated costs of certified appraiser reviews, the Board of Veterinarians to cover consultant's exam costs, and the Board of Realty Regulations to support education programs.

DP 504 - BSD - Online Processing - The legislature approved increased support for the Montana Interactive e-check and credit card processing fees to accept and process online applications for license and permit applicants.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				FTE	Fiscal 2015			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 501 - Legal Funding Switch										
05	0.00	0	39,106	0	39,106	0.00	0	39,106	0	39,106
DP 505 - BSD Weights & Measures (Biennial/ Restricted)										
05	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 506 - POL Motor Pool Lease										
05	0.00	0	6,331	0	6,331	0.00	0	6,634	0	6,634
DP 508 - BSD Medical Impairment Program										
05	3.00	0	(17,737)	0	(17,737)	3.00	0	(134,706)	0	(134,706)
Total	3.00	\$0	\$127,700	\$0	\$127,700	3.00	\$0	\$11,034	\$0	\$11,034

DP 501 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

DP 505 - BSD Weights & Measures (Biennial/ Restricted) - The legislature approved \$100,000 in state special revenue for FY 2014 and FY 2015. The Weights and Measures Bureau will replace outdated equipment and update the metrology laboratory in order to fulfill its statutory requirement to inspect and test all commercial devices statewide. Current equipment is in excess of 15 years old and can no longer be maintained with routine repair.

DP 506 - POL Motor Pool Lease - The legislature approved \$6,331 in FY 2014 and \$6,634 in FY 2015 for one motor pool leased vehicle. This is funded by state special revenue.

DP 508 - BSD Medical Impairment Program - The legislature approved a decrease in appropriation authority for the Business Standards Division Medical Impairment Program authorized in 7-3-203, MCA. This comes as a result of eliminating contracts for the medical impairment program and providing the service in house. Currently the Business Standards Division spends \$401,318 annually on this service with an expected increase of \$70,000 in each year of the 2015 biennium. By conducting the program in-house, the division reduces costs by \$152,000 over the biennium.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	280,230	266,554	285,244	286,366	546,784	571,610	24,826	4.54%
Operating Expenses	206,074	233,329	215,542	215,000	439,403	430,542	(8,861)	(2.02%)
Grants	2,494,882	2,444,100	3,073,354	3,073,426	4,938,982	6,146,780	1,207,798	24.45%
Transfers	30,431	80,040	0	0	110,471	0	(110,471)	(100.00%)
Total Costs	\$3,011,617	\$3,024,023	\$3,574,140	\$3,574,792	\$6,035,640	\$7,148,932	\$1,113,292	18.45%
General Fund	123,577	123,922	124,171	124,195	247,499	248,366	867	0.35%
State Special	27,136	39,389	27,266	27,272	66,525	54,538	(11,987)	(18.02%)
Federal Special	2,860,904	2,860,712	3,422,703	3,423,325	5,721,616	6,846,028	1,124,412	19.65%
Total Funds	\$3,011,617	\$3,024,023	\$3,574,140	\$3,574,792	\$6,035,640	\$7,148,932	\$1,113,292	18.45%

Program Description

The Office of Community Services provides administration for the Corporation for National and Community Service AmeriCorps state programs, community service, and volunteer efforts statewide. The office was created by the 1993 Legislature, at the request of the Governor, to engage citizens in service and support volunteer opportunities focused on critical community needs. The office works with the Montana Commission on Community Service to promote civic engagement, particularly among youth and older Montanans.

Program Highlights

Office of Community Services Major Budget Highlights	
◆	The legislature approved additional federal grant authority for the AmeriCorps grant

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Office Of Community Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$248,366	\$0	\$0	\$248,366	3.5%		
State Special Total	\$54,538	\$0	\$0	\$54,538	0.8%		
02190 Ocs Cbi Training	\$54,538	\$0	\$0	\$54,538	0.8%		
Federal Special Total	\$6,846,028	\$0	\$0	\$6,846,028	95.8%		
03322 Mt Community Service Fsr	\$6,846,028	\$0	\$0	\$6,846,028	95.8%		
Total All Funds	\$7,148,932	\$0	\$0	\$7,148,932	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The majority of the funding for the program is provided through federal AmeriCorp grants. General fund and state special revenue fund most of the administrative expenses for the program, with federal revenue providing the remainder, including the funding for grants and special projects administered by the program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	123,577	123,577	247,154	99.51%	3,011,617	3,011,617	6,023,234	84.25%
Statewide PL Adjustments	594	618	1,212	0.49%	14,482	15,062	29,544	0.41%
Other PL Adjustments	0	0	0	0.00%	548,041	548,113	1,096,154	15.33%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$124,171	\$124,195	\$248,366		\$3,574,140	\$3,574,792	\$7,148,932	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					16,890					18,061
Vacancy Savings					(11,876)					(11,925)
Inflation/Deflation					(41)					(12)
Fixed Costs					9,509					8,938
Total Statewide Present Law Adjustments										
		\$594	\$130	\$13,758	\$14,482		\$618	\$136	\$14,308	\$15,062
DP 50 - Initial Motion to FY 2012 Base										
	0.00	(594)	(130)	(13,758)	(14,482)	0.00	(618)	(136)	(14,308)	(15,062)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	205	45	4,764	5,014	0.00	252	56	5,828	6,136
DP 52 - Adjustment for Statewide Operations										
	0.00	389	85	8,994	9,468	0.00	366	80	8,480	8,926
DP 702 - AmeriCorps Grants										
	0.00	0	0	548,041	548,041	0.00	0	0	548,113	548,113
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$548,041	\$548,041	0.00	\$0	\$0	\$548,113	\$548,113
Grand Total All Present Law Adjustments										
	0.00	\$594	\$130	\$561,799	\$562,523	0.00	\$618	\$136	\$562,421	\$563,175

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 702 - AmeriCorps Grants - The legislature approved about \$548,000 each year additional federal grant authority for the AmeriCorps grant. The appropriation supports AmeriCorps program grants for local communities.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00%
Personal Services	494,291	501,162	503,909	504,636	995,453	1,008,545	13,092	1.32%
Operating Expenses	140,650	171,127	145,856	145,985	311,777	291,841	(19,936)	(6.39%)
Total Costs	\$634,941	\$672,289	\$649,765	\$650,621	\$1,307,230	\$1,300,386	(\$6,844)	(0.52%)
State Special	634,941	672,289	649,765	650,621	1,307,230	1,300,386	(6,844)	(0.52%)
Total Funds	\$634,941	\$672,289	\$649,765	\$650,621	\$1,307,230	\$1,300,386	(\$6,844)	(0.52%)

Program Description

The Workers' Compensation Court provides a venue for Montana employees, employers, and the insurance industry to resolve disputes arising from work-related injuries and occupational diseases. The Court is attached to the department for administrative purposes only.

Program Highlights

Workers' Compensation Court Major Budget Highlights	
♦	The overall budget decreases due to reductions in fixed costs for the court

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Workers Compensation Court							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$1,300,386	\$0	\$0	\$1,300,386	100.0%		
02455 Workers' Comp Regulation	\$1,300,386	\$0	\$0	\$1,300,386	100.0%		
Total All Funds	\$1,300,386	\$0	\$0	\$1,300,386	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The court is entirely funded with state special revenue derived from a fee charged to workers compensation carriers in Montana. The fee is passed on to Montana businesses when their workers' compensation premiums are determined by the carriers.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	634,941	634,941	1,269,882	97.65%
Statewide PL Adjustments	0	0	0	0.00%	4,824	5,680	10,504	0.81%
Other PL Adjustments	0	0	0	0.00%	10,000	10,000	20,000	1.54%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$649,765	\$650,621	\$1,300,386	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					30,614					31,372
Vacancy Savings					(20,996)					(21,027)
Inflation/Deflation					58					207
Fixed Costs					(4,852)					(4,872)
Total Statewide Present Law Adjustments										
	\$0		\$4,824	\$0	\$4,824		\$0	\$5,680	\$0	\$5,680
DP 50 - Initial Motion to Fy 2012 Base										
	0.00	0	(4,824)	0	(4,824)	0.00	0	(5,680)	0	(5,680)
DP 51 - Adjustment for Statewide Personal Services										
	0.00	0	9,618	0	9,618	0.00	0	10,345	0	10,345
DP 52 - Adjustment for Statewide Operations										
	0.00	0	(4,794)	0	(4,794)	0.00	0	(4,665)	0	(4,665)
DP 901 - WCC General Operating Adjustment										
	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
Total Other Present Law Adjustments										
	0.00	\$0	\$10,000	\$0	\$10,000	0.00	\$0	\$10,000	\$0	\$10,000
Grand Total All Present Law Adjustments										
	0.00	\$0	\$14,824	\$0	\$14,824	0.00	\$0	\$15,680	\$0	\$15,680

DP 50 - Initial Motion to Fy 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 901 - WCC General Operating Adjustment - The legislature approved \$10,000 in each year of the biennium for an increase in off-campus rent and operational costs.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	199.21	199.21	199.21	199.21	199.21	199.21	0.00	0.00%
Estimated Impact of HB 2*			(8.26)	(8.26)		(8.26)	(8.26)	
Net Estimated FTE*			190.95	190.95		190.95	(8.26)	
Personal Services	11,462,034	11,662,829	11,585,096	11,605,260	23,124,863	23,190,356	65,493	0.28%
Operating Expenses	15,179,930	15,422,290	15,948,410	15,841,721	30,602,220	31,790,131	1,187,911	3.88%
Equipment & Intangible Assets	552,065	357,423	552,065	552,065	909,488	1,104,130	194,642	21.40%
Grants	3,767,443	5,101,505	13,515,443	11,915,443	8,868,948	25,430,886	16,561,938	186.74%
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	0	0.00%
Transfers	570,674	707,549	2,932,674	2,532,674	1,278,223	5,465,348	4,187,125	327.57%
Total Costs	\$31,534,426	\$33,253,876	\$44,535,968	\$42,449,443	\$64,788,302	\$86,985,411	\$22,197,109	34.26%
General Fund	5,601,891	5,725,200	6,030,337	6,023,180	11,327,091	12,053,517	726,426	6.41%
State Special	1,071,157	1,292,045	1,100,490	1,001,546	2,363,202	2,102,036	(261,166)	(11.05%)
Federal Special	24,861,378	26,236,631	37,405,141	35,424,717	51,098,009	72,829,858	21,731,849	42.53%
Total Funds	\$31,534,426	\$33,253,876	\$44,535,968	\$42,449,443	\$64,788,302	\$86,985,411	\$22,197,109	34.26%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Agency Mission: To provide for safety and well-being for citizens of Montana through mission-ready forces, for federal and state activations, emergency services as directed by the Governor, and services to Montana veterans.

The Department of Military Affairs is administered by the Adjutant General and his staff. The agency oversees all activities in the Army and Air National Guard, Disaster and Emergency Services, the National Guard Youth Challenge Program, and the National Guard Education Outreach Program, STARBASE. The Veterans' Affairs Division, which is administratively attached to the department, manages and coordinates with state and federal agencies in providing services for veterans and their families as well as the state veterans' cemeteries.

The department, through the Army and Air National Guard, manages a joint federal-state program that maintains trained and equipped military organizations for the Governor in the event of a state emergency and the President in the event of a national emergency. The department also plans for and coordinates state responses in disaster and emergency situations.

Agency Highlights

Department of Military Affairs
Major Budget Highlights

- ◆ The Department of Military Affairs budget increases by 34.3% from the previous biennium due primarily to a \$22.0 million increase in funding for Homeland Security Program Grants.
- ◆ The legislature approved the addition of a second site for STARBASE at Gore Hill in Great Falls and increased federal authority for the program by \$0.6 million over the 2015 biennium
- ◆ HB 626 increases the percentage of vehicle fees allocated to the Veteran's Affairs Division. The increases are allocated to two separate accounts:
 - State Veterans' Cemetery Account, which is statutorily appropriated
 - Veterans' Services Account, which is included in HB 2
- ◆ The legislature approved 5.0 new FTE including:
 - 3.0 FTE to support various functions related to the mission of the Army National Guard
 - 1.0 FTE for the new STARBASE program in Great Falls
 - 1.0 FTE for the Disaster and Emergency Services Division
- ◆ The legislature eliminated HB 2 funding for personal services for 5.0 FTE and related operating costs in the Veterans' Affairs Division that were also statutorily appropriated.

Summary of Legislative Action

The Department of Military Affairs budget increases when compared to the 2013 biennium due to:

- Additional federal revenue authority for grants to local and tribal governments of \$22.0 million over the 2015 biennium
- Additional personal services to support 3.00 FTE to support the Army National Guard mission, 1.00 FTE to provide for homeland security exercise and evaluation, and 1.00 FTE for the new Montana STARBASE "Big Sky" Program in Great Falls
- Reinstatement of \$0.8 million in overtime incurred by the Air National Guard firefighters in Great Falls

General fund increases between the two biennia due to approved funding shifts between general fund and federal funds in most programs and support for grants for outreach services to Montana veterans.

HB 626 Includes Provisions to Implement HB 2

The Joint Appropriations Subcommittee on General Government recommended and the legislature approved HB 626, a bill to implement provisions of HB 2 that changes the percentage of motor vehicle revenues that are deposited into the general fund each fiscal year and then transferred to two accounts within the Veterans' Affairs Program:

- State Veterans' Cemetery Account
- Veterans' Services Account

The increase in the percentage, from 0.64% to 0.81%, is estimated to restore the funding provided by the allocation to the levels previously provided prior to the adoption of a percentage.

Boilerplate

The boilerplate section in HB 2 includes the following language:

"It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings

amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 8.26 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,053,517	\$0	\$0	\$12,053,517	13.7%
State Special Total	2,102,036	-	775,647	2,877,683	3.3%
Federal Special Total	72,829,858	-	-	72,829,858	83.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$86,985,411</u>	<u>\$0</u>	<u>\$775,647</u>	<u>\$87,761,058</u>	
Percent - Total All Sources	99.1%	0.0%	0.9%		

HB 2

The Department of Military Affairs is dominated by federal government initiatives, programs, and objectives. As such the agency's primary funding source is federal funds. General fund supports a portion of most of the programs in the department and 100% of the cost of the National Guard Scholarship program.

State special revenue funds the Disaster and Emergency Services Division and Veterans Affairs Program. The Veterans Affairs Division accounts for the majority of the state special revenue funding with revenues generated through vehicle registrations, specialty license plates, and donations.

Federal special revenues account for the majority of the total agency funding. The most significant impact to the total funding increase is for federal Homeland Security Program Grants that remain unspent from previous fiscal years.

Statutory Appropriations

The Department of Military Affairs has two statutory appropriations that are currently estimated to be expended in the 2015 biennium and several others that are either transferred from other agencies or are not currently estimated to be needed in the next biennium.

The Montana Military Family Relief (MMFRF) Program receives a statutory appropriation to provide monetary grants to families of Montana National Guard and Reserve Component members who on or after April 28, 2007 are on active duty for federal service in a contingency operation. MMFRF grants are intended to help Montana families defray the costs of food, housing, utilities, medical services, and other expenses that become difficult to afford when a wage-earner has temporarily left civilian employment to be placed on active military duty. FY 2012 costs for the program were \$121,000, which is the amount of funding established for each year of the 2015 biennium. The program was originally funded by a transfer of \$1.0 million in general fund. Ongoing revenues include interest on the fund balance (which is declining) and donations of about \$38,000 a year.

The Veterans' Affairs Division has a statutory appropriation for operation of the Montana Veterans' Cemetery Program. The state special revenue funds are generated from cemetery plot allowances and donations.

Statutory appropriations that are not currently estimated for the 2015 biennium include:

- Local incidence responses for emergency and disasters
- Contingencies to address environmental problems

The Governor is also provided a number of statutory appropriations in the event of a declared emergency or disaster. The most notable of these is the authority to authorize up to \$16 million for disaster relief. These expenditures are authorized through executive orders. In FY 2012, the Governor authorized disaster relief expenditures from the general fund totaling \$7,631 with the remainder anticipated to be fully expended in FY 2013, primarily for fire suppression costs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,601,891	5,601,891	11,203,782	92.95%	31,534,426	31,534,426	63,068,852	72.51%
Statewide PL Adjustments	233,664	222,074	455,738	3.78%	(10,434)	(14,453)	(24,887)	(0.03%)
Other PL Adjustments	74,545	79,024	153,569	1.27%	12,916,345	10,831,043	23,747,388	27.30%
New Proposals	120,237	120,191	240,428	1.99%	95,631	98,427	194,058	0.22%
Total Budget	\$6,030,337	\$6,023,180	\$12,053,517		\$44,535,968	\$42,449,443	\$86,985,411	

Statewide present law adjustments are negative from total funds due to reductions for overtime incurred by firefighters in Great Falls. Other present law adjustments include increased federal funding for Homeland Security Grant Program funds within the Disaster and Emergency Services Program.

Other Legislation

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 21 – The legislature determined that the statutory appropriation for the state veterans' cemeteries should be assigned to the Department of Military Affairs rather than the Board of Veterans' Affairs. HB 21 was passed and approved to address this issue.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	199.21	199.21	199.21	0.00	199.21	199.21	0.00	
Estimated Impact of HB 2*			(8.26)	(8.26)		(8.26)	(8.26)	
Net Estimated FTE*			190.95	(8.26)		190.95	(8.26)	
Personal Services	11,462,034	11,752,583	11,585,096	(167,487)	11,770,429	11,605,260	(165,169)	(332,656)
Operating Expenses	15,179,930	15,901,626	15,948,410	46,784	15,795,391	15,841,721	46,330	93,114
Equipment & Intangible Assets	552,065	552,065	552,065	0	552,065	552,065	0	0
Grants	3,767,443	13,335,443	13,515,443	180,000	11,735,443	11,915,443	180,000	360,000
Benefits & Claims	2,280	2,280	2,280	0	2,280	2,280	0	0
Transfers	570,674	2,932,674	2,932,674	0	2,532,674	2,532,674	0	0
Total Costs	\$31,534,426	\$44,476,671	\$44,535,968	\$59,297	\$42,388,282	\$42,449,443	\$61,161	\$120,458
General Fund	5,601,891	5,907,915	6,030,337	122,422	5,900,810	6,023,180	122,370	244,792
State/Other Special	1,071,157	940,549	1,100,490	159,941	842,561	1,001,546	158,985	318,926
Federal Special	24,861,378	37,628,207	37,405,141	(223,066)	35,644,911	35,424,717	(220,194)	(443,260)
Total Funds	\$31,534,426	\$44,476,671	\$44,535,968	\$59,297	\$42,388,282	\$42,449,443	\$61,161	\$120,458

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature provided a biennial appropriation of \$112,500 in general fund and matching federal funds to address recruitment and retention issues within the Challenge Program. This was line item vetoed by the Governor. At the time of this writing the legislature was being polled to determine if the veto will be overridden.

In addition, the legislature reduced the costs associated with statutorily appropriated state veterans' cemetery revenues from HB 2 and corrected an allocation error between personal services and operating costs. Vacancy savings were increased by an additional 2% above that recommended by the executive for HB 2 funded positions. This reduced personal services by \$466,800 over the biennium and general fund by \$119,600, state special revenue by \$28,400, and federal funds by \$318,800. Finally, the legislature provided general fund for grants for outreach services to veterans in Montana, including initial contact with veterans in communities, assistance with applications and claims, volunteer training, and equipment purchases for transporting disabled veterans to services.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Disaster and Emergency Services includes a reduction in general fund of \$59,763 in fiscal year 2014 and \$59,809 in fiscal year 2015, state special revenue of \$14,211 in fiscal year 2014 and \$14,214 in fiscal year 2015, and federal special revenue of \$160,814 in fiscal year 2014 and \$157,978 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	11.76	11.76	11.76	11.76	11.76	11.76	0.00	0.00%
Personal Services	851,658	878,718	908,067	907,501	1,730,376	1,815,568	85,192	4.92%
Operating Expenses	95,075	80,575	130,341	120,419	175,650	250,760	75,110	42.76%
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	0	0.00%
Total Costs	\$949,013	\$961,573	\$1,040,688	\$1,030,200	\$1,910,586	\$2,070,888	\$160,302	8.39%
General Fund	635,181	635,704	727,541	717,057	1,270,885	1,444,598	173,713	13.67%
Federal Special	313,832	325,869	313,147	313,143	639,701	626,290	(13,411)	(2.10%)
Total Funds	\$949,013	\$961,573	\$1,040,688	\$1,030,200	\$1,910,586	\$2,070,888	\$160,302	8.39%

Program Description

The Centralized Services Division provides departmental administration through the Office of the Adjutant General and department-wide support for accounting, fiscal management, personnel, labor relations, and purchasing and property management oversight. The program operates in accordance with Title 2, Chapter 15, part 12 and Title 10, MCA.

Program Highlights

Centralized Services Division Major Budget Highlights	
♦	The budget for the division increases from the previous biennium due almost entirely to statewide present law adjustments

Program Narrative

General fund support for the program increases 13.7% from the 2013 biennium due in part to a change in the percentage of general fund support provided in the statewide present law adjustments. The decrease in federal funds is the result of a base funding switch included in the statewide present law adjustments.

Personal services increase due to annualization of broadband pay adjustments awarded in FY 2012 and longevity increases included as part of the statewide present law adjustments. The operating expenses increases are due to changes for fixed costs provided by the Department of Administration including:

- Information technology services
- Insurance and bonds
- Warrant writing services
- SABHRS administrative costs

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Centralized Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,444,598	\$0	\$0	\$1,444,598	69.8%		
Federal Special Total	\$626,290	\$0	\$0	\$626,290	30.2%		
03132 National Guard	\$413,318	\$0	\$0	\$413,318	20.0%		
03134 Disaster & Emergency Services	\$82,200	\$0	\$0	\$82,200	4.0%		
03453 Air National Guard	\$130,772	\$0	\$0	\$130,772	6.3%		
Total All Funds	\$2,070,888	\$0	\$0	\$2,070,888	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Federal fund support is provided by federal-state agreements. Costs of positions and activities that provide support to federally funded operations are applicable for federal funding. General fund supports the majority of the program in accordance with state-federal agreements.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	635,181	635,181	1,270,362	87.94%	949,013	949,013	1,898,026	91.65%
Statewide PL Adjustments	89,633	79,155	168,788	11.68%	87,600	77,122	164,722	7.95%
Other PL Adjustments	2,727	2,721	5,448	0.38%	4,075	4,065	8,140	0.39%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$727,541	\$717,057	\$1,444,598		\$1,040,688	\$1,030,200	\$2,070,888	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					94,245					93,655
Vacancy Savings					(37,836)					(37,812)
Inflation/Deflation					53					105
Fixed Costs					31,138					21,174
Total Statewide Present Law Adjustments										
		\$89,633	\$0	(\$2,033)	\$87,600		\$79,155	\$0	(\$2,033)	\$77,122
DP 50 - Initial Motion to FY 2012 Base	0.00	(89,633)	0	2,033	(87,600)	0.00	(79,155)	0	2,033	(77,122)
DP 51 - Adjustment for Statewide Personal Services	0.00	37,755	0	18,654	56,409	0.00	37,376	0	18,467	55,843
DP 52 - Adjustment for Statewide Operations	0.00	23,603	0	11,663	35,266	0.00	16,963	0	8,381	25,344
DP 53 - Base Funding Switch	0.00	31,002	0	(31,002)	0	0.00	27,537	0	(27,537)	0
Total Other Present Law Adjustments										
	0.00	\$2,727	\$0	\$1,348	\$4,075	0.00	\$2,721	\$0	\$1,344	\$4,065
Grand Total All Present Law Adjustments										
	0.00	\$92,360	\$0	(\$685)	\$91,675	0.00	\$81,876	\$0	(\$689)	\$81,187

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	51.15	51.15	51.15	51.15	51.15	51.15	0.00	0.00%
Personal Services	2,281,477	2,373,460	2,326,462	2,332,170	4,654,937	4,658,632	3,695	0.08%
Operating Expenses	1,200,818	1,309,885	1,278,478	1,273,122	2,510,703	2,551,600	40,897	1.63%
Total Costs	\$3,482,295	\$3,683,345	\$3,604,940	\$3,605,292	\$7,165,640	\$7,210,232	\$44,592	0.62%
General Fund	832,471	908,337	859,310	858,719	1,740,808	1,718,029	(22,779)	(1.31%)
Federal Special	2,649,824	2,775,008	2,745,630	2,746,573	5,424,832	5,492,203	67,371	1.24%
Total Funds	\$3,482,295	\$3,683,345	\$3,604,940	\$3,605,292	\$7,165,640	\$7,210,232	\$44,592	0.62%

Program Description

The Montana National Guard Youth ChalleNGe Program is a volunteer program for youth ages 16 to 18 who have stopped attending secondary school before graduating. ChalleNGe is a 17-month, voluntary, two-phased military modeled training program targeting unemployed, drug-free, and crime-free high school dropouts. The program provides an opportunity for high school "at risk" youth to enhance their life skills, and increase their educational levels and employment potential. Phase I of the program is a 22 week residential stay on the campus of Western Montana College of the University of Montana in Dillon focusing on physical training, classroom instruction, personal development, and life skills. Phase II is a year-long mentoring relationship with a specially-trained member of the community where the youth resides to provide a positive role model and to assist the student in gaining employment or enrolling in post-secondary schooling.

Program Highlights

Youth ChalleNGe Program Major Budget Highlights	
♦	The budget for the division increases from the previous biennium mainly due to two changes from the base budget: <ul style="list-style-type: none"> • Additional federal funds to support employees attending required training • Funding of projected overtime costs

Program Narrative

To address recruitment and retention issues within the Youth ChalleNGe Program the legislature:

- Funded projected overtime costs
- Provided additional federal funds to support employee training
- Provided a biennial appropriation of \$225,000 to increase salaries, including drill instructors and teachers, to 80% of the 2012 market midpoint

The Joint Appropriations Subcommittee on General Government recommended that during the interim the Legislative Finance Committee monitor the Youth ChalleNGe Program's progress in addressing its challenges with recruitment and retention and report back to the Joint Appropriations Subcommittee on General Government for the 2015 Legislature.

The Governor line-item vetoed the additional funding for salary increases. A survey of the legislature is being conducted to determine if the Governor's veto will be overridden.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Challenge Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,718,029	\$0	\$0	\$1,718,029	23.8%		
Federal Special Total	\$5,492,203	\$0	\$0	\$5,492,203	76.2%		
03132 National Guard	\$5,492,203	\$0	\$0	\$5,492,203	76.2%		
Total All Funds	\$7,210,232	\$0	\$0	\$7,210,232	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Youth ChalleNGe Program is funded with general fund and federal special revenue at a 25/75 state to federal funding ratio for most costs. Some travel and special projects required by the federal/state cooperative agreement are funded 100 percent from federal funds.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	832,471	832,471	1,664,942	96.91%	3,482,295	3,482,295	6,964,590	96.59%
Statewide PL Adjustments	16,839	16,248	33,087	1.93%	32,645	32,997	65,642	0.91%
Other PL Adjustments	10,000	10,000	20,000	1.16%	90,000	90,000	180,000	2.50%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$859,310	\$858,719	\$1,718,029		\$3,604,940	\$3,605,292	\$7,210,232	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
Fiscal 2014					Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				100,254					106,200
Vacancy Savings				(95,269)					(95,511)
Inflation/Deflation				(1,344)					(688)
Fixed Costs				29,004					22,990
Total Statewide Present Law Adjustments	\$16,839	\$0	\$15,806	\$32,645		\$16,248	\$0	\$16,749	\$32,997
DP 50 - Initial Motion to FY 2012 Base	0.00	(16,839)	0	(15,806)	0.00	(16,248)	0	(16,749)	(32,997)
DP 51 - Adjustment for Statewide Personal Services	0.00	1,192	0	3,793	0.00	2,556	0	8,137	10,691
DP 52 - Adjustment for Statewide Operations	0.00	6,612	0	21,048	0.00	5,332	0	16,972	22,304
DP 53 - Base Funding Switch	0.00	9,035	0	(9,035)	0.00	8,360	0	(8,360)	0
DP 201 - Funding for ChalleNGe 24/7 overtime.	0.00	10,000	0	30,000	0.00	10,000	0	30,000	40,000
DP 202 - Federal spending authority for ChalleNGe training	0.00	0	0	50,000	0.00	0	0	50,000	50,000
Total Other Present Law Adjustments	0.00	\$10,000	\$0	\$80,000	0.00	\$10,000	\$0	\$80,000	\$90,000
Grand Total All Present Law Adjustments	0.00	\$26,839	\$0	\$95,806	0.00	\$26,248	\$0	\$96,749	\$122,997

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 201 - Funding for ChalleNGe 24/7 overtime. - The legislature approved \$40,000 in each year of the biennium to support overtime and holiday salaries. These costs are zero based and not included in the program's base budget. The program is required to have staff coverage 24 hour a day, 7 days a week.

DP 202 - Federal spending authority for ChalleNGe training - The legislature approved federal funds for ChalleNGe employees to participate in training classes required by the National Guard Bureau.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Operating Expenses	209,409	209,408	209,409	209,409	418,817	418,818	1	0.00%
Total Costs	\$209,409	\$209,408	\$209,409	\$209,409	\$418,817	\$418,818	\$1	0.00%
General Fund	209,409	209,408	209,409	209,409	418,817	418,818	1	0.00%
Total Funds	\$209,409	\$209,408	\$209,409	\$209,409	\$418,817	\$418,818	\$1	0.00%

Program Description

The Montana National Guard Scholarship Program provides scholarships to eligible Montana National Guard personnel enrolled as undergraduate students in Montana colleges, universities, or training programs. The program assists Montana in recruiting and retaining personnel in both the Army and Air National Guard and in enhancing its operational readiness to assume both state and federal active duty missions. Scholarships also reward guard members for their service to the state by helping defray their educational costs at Montana post-secondary institutions.

Program Highlights

Scholarship Program Major Budget Highlights	
♦	The legislature approved funding the 2015 biennium budget at the FY 2012 base budget level with no adjustments

Program Narrative

The 1999 Legislature first provided \$250,000 in general fund to provide scholarships of up to \$500 per semester to enlisted Montana National Guard personnel enrolled as full-time undergraduate students in colleges, universities, or training programs. The funding was to provide \$500 scholarships for 500 student-semesters; which is equivalent to 125 students attending two semesters in each of the two years of the biennium.

In FY 2012, 287 students were awarded scholarships of up to \$1,800 a year for college, universities, or other training programs. Funding for the program remains static for the 2015 biennium.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Scholarship Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$418,818	\$0	\$0	\$418,818	100.0%		
Total All Funds	\$418,818	\$0	\$0	\$418,818	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

This program is funded entirely from the general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	209,409	209,409	418,818	100.00%	209,409	209,409	418,818	100.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$209,409	\$209,409	\$418,818		\$209,409	\$209,409	\$418,818	

As stated in the narrative, the Montana National Guard Scholarship Program funding is provided at the FY 2012 base funding level without any adjustments.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	2.00	2.00	3.00	3.00	2.00	3.00	1.00	50.00%
Personal Services	107,355	136,429	250,129	249,743	243,784	499,872	256,088	105.05%
Operating Expenses	206,376	179,717	408,151	406,954	386,093	815,105	429,012	111.12%
Total Costs	\$313,731	\$316,146	\$658,280	\$656,697	\$629,877	\$1,314,977	\$685,100	108.77%
Federal Special	313,731	316,146	658,280	656,697	629,877	1,314,977	685,100	108.77%
Total Funds	\$313,731	\$316,146	\$658,280	\$656,697	\$629,877	\$1,314,977	\$685,100	108.77%

Program Description

The Montana STARBASE (Science, Technology, Academy, Reinforcing, Basic, Aviation, and Space Exploration) "Big Sky" Program is a program for elementary school aged children to raise the interest and improve the knowledge and skills of at-risk youth in math, science, and technology. It does this by exposing them and their teachers to real world applications of math and science through experimental learning, simulations, experiments in aviation and space-related fields as it deals with a technological environment and by utilizing the positive role models found on military bases and installations. The program also addresses drug use prevention, health, self-esteem, and life skills with a math and science based program.

Program Highlights

STARBASE Major Budget Highlights	
♦	The legislature approved continuing a second site for the Montana STARBASE "Big Sky" Program at Gore Hill in Great Falls. The site was added in FY 2012 through a budget amendment
♦	The change includes funding to support an additional 1.00 FTE and related operations

Program Narrative

In FY 2012, the Air National Guard received a second federal grant for a STARBASE program associated with the Gore Hill in Great Falls. The first STARBASE is located at Fort Harrison in Helena. The legislature provided authority for the second STARBASE program, which increases personal services by \$0.2 million and operating costs by \$0.4 million over the biennium.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Starbase							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Federal Special Total	\$1,314,977	\$0	\$0	\$1,314,977	100.0%		
03453 Air National Guard	\$1,314,977	\$0	\$0	\$1,314,977	100.0%		
Total All Funds	\$1,314,977	\$0	\$0	\$1,314,977	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

This program is funded entirely with federal special revenues from the Air National Guard. Federal funds increase between biennia due to the addition of a second STARBASE at Gore Hill in Great Falls.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	313,731	313,731	627,462	47.72%
Statewide PL Adjustments	0	0	0	0.00%	44,549	42,966	87,515	6.66%
Other PL Adjustments	0	0	0	0.00%	300,000	300,000	600,000	45.63%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$658,280	\$656,697	\$1,314,977	

The majority of the increases in the 2015 biennium budget is due to the addition of the second STARBASE site in Great Falls. Statewide present law adjustments for personal services and fixed costs make up the only other changes in the STARBASE budget.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
FTE	Fiscal 2014				Fiscal 2015					Total Funds
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				47,534						47,298
Vacancy Savings				(6,196)						(6,186)
Inflation/Deflation				11						2
Fixed Costs				3,200						1,833
Total Statewide Present Law Adjustments	\$0	\$0	\$44,549	\$44,549		\$0	\$0	\$42,966	\$42,966	
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(44,549)	(44,549)	0.00	0	0	(42,966)	(42,966)	
DP 51 - Adjustment for Statewide Personal Services	0.00	0	41,338	41,338	0.00	0	0	41,112	41,112	
DP 52 - Adjustment for Statewide Operations	0.00	0	3,211	3,211	0.00	0	0	1,854	1,854	
DP 401 - Funding for STARBASE Great Falls	1.00	0	300,000	300,000	1.00	0	0	300,000	300,000	
Total Other Present Law Adjustments	1.00	\$0	\$300,000	\$300,000	1.00	\$0	\$0	\$300,000	\$300,000	
Grand Total All Present Law Adjustments	1.00	\$0	\$344,549	\$344,549	1.00	\$0	\$0	\$342,966	\$342,966	

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 401 - Funding for STARBASE Great Falls - The STARBASE program in Great Falls was started in FY 2012. The legislature approved federal funds to continue the program in Great Falls. The program provides the students of Great Falls the opportunity to attend a high technology classroom that provides math and science education in a different atmosphere.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	42.30	42.30	45.30	45.30	42.30	45.30	3.00	7.09%
Personal Services	2,704,807	2,610,140	2,882,999	2,885,500	5,314,947	5,768,499	453,552	8.53%
Operating Expenses	10,855,098	11,185,278	10,941,504	10,957,573	22,040,376	21,899,077	(141,299)	(0.64%)
Equipment & Intangible Assets	552,065	357,423	552,065	552,065	909,488	1,104,130	194,642	21.40%
Total Costs	\$14,111,970	\$14,152,841	\$14,376,568	\$14,395,138	\$28,264,811	\$28,771,706	\$506,895	1.79%
General Fund	1,621,054	1,639,409	1,639,115	1,643,639	3,260,463	3,282,754	22,291	0.68%
State Special	0	0	2,000	2,000	0	4,000	4,000	n/a
Federal Special	12,490,916	12,513,432	12,735,453	12,749,499	25,004,348	25,484,952	480,604	1.92%
Total Funds	\$14,111,970	\$14,152,841	\$14,376,568	\$14,395,138	\$28,264,811	\$28,771,706	\$506,895	1.79%

Program Description

The Army National Guard, until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides funding for facilities management, environmental, and communications support to the organization by:

- Providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas;
- Planning, programming and contracting for construction;
- Ensuring all activities and facilities comply with environmental regulations; and
- Providing state-wide communication services, security contracts, and leases for buildings and land used by the Army National Guard.

The program is mandated by the U.S. and Montana constitutions and Title 10, Chapters 1-3, MCA.

Program Highlights

Army National Guard Program	
Major Budget Highlights	
◆	The budget for the division increases from the previous biennia mainly due to: <ul style="list-style-type: none"> • Increase support for an additional 3.0 FTE to support various functions related to the mission of the Army National Guard • Provide operations and maintenance costs for two facilities that will be completed in the 2015 biennium

Program Narrative

The legislature approved 3.00 FTE to provide support for various functions related to the mission of the Army National Guard. Personal services costs increase by \$0.3 million in the 2015 biennium as a result. Personal services also increase due to:

- Broadband pay increases granted in FY 2012 that are annualized in the 2015 biennium
- A vacancy rate of 5.7% in FY 2012 compared to the legislatively established 4%

Operating costs increase due to:

- Statewide present law adjustments for insurance and bonds, State Information Technology Services Division charges, and electricity
- Support for additional operations and maintenance costs for two facilities that will be completed in the 2015 biennium

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Army National Guard Pgm							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,282,754	\$0	\$0	\$3,282,754	11.4%		
State Special Total	\$4,000	\$0	\$0	\$4,000	0.0%		
02343 Armory Rental Funds	\$4,000	\$0	\$0	\$4,000	0.0%		
Federal Special Total	\$25,484,952	\$0	\$0	\$25,484,952	88.6%		
03132 National Guard	\$25,484,952	\$0	\$0	\$25,484,952	88.6%		
Total All Funds	\$28,771,706	\$0	\$0	\$28,771,706	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Army National Guard program is funded with a combination of general fund and federal funds. General fund accounts for about 11.4% of total funding. The funding ratio between general fund and federal funds depends on the nature of the activity, the use or location of the facility, and the goals of the operation. Possible scenarios include funding:

- Entirely with state funds
- Entirely with federal funds
- As a shared responsibility, with federal funds at 75% and general fund at 25% or 50% federal and 50% general fund

When a facility is owned by the state and located on state land, maintenance and utility costs are split evenly with the federal government. When a facility is state owned, but located on federal land, the maintenance and utility costs are funded 75% federal and 25% state general fund. When a facility is classified as a logistics facility, the funding is 100% federal funds for the entire facility. Federally owned facilities located on federal land and those that serve training missions are predominantly funded with 100% federal funds, except when the building is used as an armory. Armories constructed with federal funds and located on federal land are funded 75/25 federal/general fund for maintenance and utility costs. When armories are rented to groups, the state special revenue funds generated from rental fees are used to augment general fund support of the facilities.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,621,054	1,621,054	3,242,108	98.76%	14,111,970	14,111,970	28,223,940	98.10%
Statewide PL Adjustments	18,061	18,060	36,121	1.10%	97,503	107,223	204,726	0.71%
Other PL Adjustments	0	4,525	4,525	0.14%	167,095	175,945	343,040	1.19%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$1,639,115	\$1,643,639	\$3,282,754		\$14,376,568	\$14,395,138	\$28,771,706	

Statewide present law adjustments for personal services, inflation/deflation, and fixed costs make up about 37.4% of the increases in the 2015 biennium budget. 62.6% of the increases are personal services to support 3.00 new FTE within the program and additional operational and maintenance support for new armories that were completed after the base year funding for the 2015 biennium was established.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
Fiscal 2014					Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				149,778					152,59
Vacancy Savings				(114,183)					(114,295)
Inflation/Deflation				27,028					58,06
Fixed Costs				34,880					10,85
Total Statewide Present Law Adjustments									
	\$18,061	\$2,000	\$77,442	\$97,503		\$18,060	\$2,000	\$87,163	\$107,22
DP 50 - Initial Motion to FY 2012 Base									
0.00	(18,061)	(2,000)	(77,442)	(97,503)	0.00	(18,060)	(2,000)	(87,163)	(107,223)
DP 51 - Adjustment for Statewide Personal Services									
0.00	(40,930)	0	76,525	35,595	0.00	(40,868)	0	79,164	38,29
DP 52 - Adjustment for Statewide Operations									
0.00	31,697	0	30,211	61,908	0.00	32,073	0	36,854	68,92
DP 53 - Base Funding Switch									
0.00	27,294	2,000	(29,294)	0	0.00	26,855	2,000	(28,855)	
DP 1201 - Army National Guard Mission Support									
3.00	0	0	142,597	142,597	3.00	0	0	142,397	142,39
DP 1202 - Army National Guard Operations & Maintenance									
0.00	0	0	24,498	24,498	0.00	4,525	0	29,023	33,54
Total Other Present Law Adjustments									
3.00	\$0	\$0	\$167,095	\$167,095	3.00	\$4,525	\$0	\$171,420	\$175,94
Grand Total All Present Law Adjustments									
3.00	\$18,061	\$2,000	\$244,537	\$264,598	3.00	\$22,585	\$2,000	\$258,583	\$283,16

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 1201 - Army National Guard Mission Support - The legislature approved 3.00 additional FTE to support the Army National Guard mission. The first 1.00 FTE provides support for the Installations Status Report (ISR) requirements of the ARNG. Each state is mandated by the federal government to document, establish, implement, update, and maintain data collected for ISR requirements. The second 1.00 FTE provides purchasing support to the Construction and Facilities Management Office of the ARNG in the administration and management of approximately 150 on-going contracts. The third 1.00 FTE assists with administrative and financial duties within the ARNG that have increasing requirements for federal budgets.

DP 1202 - Army National Guard Operations & Maintenance - The legislature approved funding for the Miles City Readiness Center and the Great Falls Armed Forces Reserve Center, two facilities that were completed after the base year and thus are not supported in the 2015 biennium budget.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	40.00	40.00	40.00	40.00	40.00	40.00	0.00	0.00%
Personal Services	2,620,408	2,668,452	2,682,129	2,687,730	5,288,860	5,369,859	80,999	1.53%
Operating Expenses	1,732,490	1,755,665	1,835,606	1,844,861	3,488,155	3,680,467	192,312	5.51%
Total Costs	\$4,352,898	\$4,424,117	\$4,517,735	\$4,532,591	\$8,777,015	\$9,050,326	\$273,311	3.11%
General Fund	374,869	382,588	396,664	399,460	757,457	796,124	38,667	5.10%
Federal Special	3,978,029	4,041,529	4,121,071	4,133,131	8,019,558	8,254,202	234,644	2.93%
Total Funds	\$4,352,898	\$4,424,117	\$4,517,735	\$4,532,591	\$8,777,015	\$9,050,326	\$273,311	3.11%

Program Description

The Air National Guard, until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides for administrative, facilities maintenance, security, and fire protection support to the Air National Guard base at Gore Hill near Great Falls. The Air National Guard program operates under both federal and state mandates in accordance with its dual missions and is mandated by the United States and Montana Constitutions and Title 10, Chapter 1-3, MCA.

Program Highlights

Air National Guard Program Major Budget Highlights	
♦	The budget increases mainly due to re-establishment of federal funding authority to provide for fire fighter overtime
♦	Statewide present law adjustments include changes for longevity and broadband pay adjustments
♦	Other changes include additional federal funding to support: <ul style="list-style-type: none"> • Required firefighting training • Natural gas distribution lines maintenance • Security contract personal services increases

Program Narrative

Personal services costs increase due to:

- Statutorily required longevity increases
- Reinstatement of firefighter overtime at the Malmstrom Air Force Base in Great Falls
- Broadband pay adjustments that are mainly awarded for proficiency agreements and are annualized in the 2015 biennium

Operating expenses increases are mainly due to additional federal funding to support:

- Firefighter training costs related to live fire training for aircraft
- Natural gas distribution lines maintenance
- Security contract personal service increases

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Air National Guard Pgm							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$796,124	\$0	\$0	\$796,124	8.8%		
Federal Special Total	\$8,254,202	\$0	\$0	\$8,254,202	91.2%		
03453 Air National Guard	\$8,254,202	\$0	\$0	\$8,254,202	91.2%		
Total All Funds	\$9,050,326	\$0	\$0	\$9,050,326	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Montana Air National Guard is predominately funded through federal funds. General fund, comprising less than 9% of the total funding for the program, supports some building and grounds maintenance activities, a portion of administrative expenses, and a portion of the personal service costs for a quarter of the FTE.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	374,869	374,869	749,738	94.17%	4,352,898	4,352,898	8,705,796	96.19%
Statewide PL Adjustments	21,795	24,591	46,386	5.83%	(317,143)	(308,382)	(625,525)	(6.91%)
Other PL Adjustments	0	0	0	0.00%	481,980	488,075	970,055	10.72%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$396,664	\$399,460	\$796,124		\$4,517,735	\$4,532,591	\$9,050,326	

Reductions contained in the statewide present law adjustments are mainly due to the elimination of firefighter overtime from the FY 2012 base budget as required by state budgeting procedures. The decision to reinstate the funding is determined through the legislative appropriation process. Other present law adjustments include additional federal funding for:

- Firefighter overtime and training
- Natural gas distribution line maintenance
- Security contract increases at Gore Hill

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				(261,867)					(262,381)	
Vacancy Savings				(94,342)					(94,322)	
Inflation/Deflation				17,017					32,38	
Fixed Costs				22,049					15,93	
Total Statewide Present Law Adjustments										
	\$21,795	\$0	(\$338,938)	(\$317,143)		\$24,591	\$0	(\$332,973)	(\$308,382)	
DP 50 - Initial Motion to FY 2012 Base	0.00	(21,795)	0	338,938	317,143	0.00	(24,591)	0	332,973	308,38
DP 51 - Adjustment for Statewide Personal Services	0.00	5,364	0	(361,573)	(356,209)	0.00	5,342	0	(362,045)	(356,703)
DP 52 - Adjustment for Statewide Operations	0.00	3,130	0	35,936	39,066	0.00	5,613	0	42,708	48,32
DP 53 - Base Funding Switch	0.00	13,301	0	(13,301)	0	0.00	13,636	0	(13,636)	/
DP 1301 - Federal Authority for Firefighter Overtime	0.00	0	0	417,930	417,930	0.00	0	0	424,025	424,02
DP 1302 - Federal Authority for Firefighter Training	0.00	0	0	20,250	20,250	0.00	0	0	20,250	20,25
DP 1303 - Federal Authority for Natural Gas	0.00	0	0	22,000	22,000	0.00	0	0	22,000	22,00
DP 1306 - Federal Authority for Security Contract Increase	0.00	0	0	21,800	21,800	0.00	0	0	21,800	21,80
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$481,980	\$481,980	0.00	\$0	\$0	\$488,075	\$488,07
Grand Total All Present Law Adjustments										
	0.00	\$21,795	\$0	\$143,042	\$164,837	0.00	\$24,591	\$0	\$155,102	\$179,69

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 1301 - Federal Authority for Firefighter Overtime - Statewide present law adjustments include reductions in personal service costs due to the elimination of overtime from the salary costs used to calculate the amount of the adjustment. This adjustment drives the personal service costs negative in both fiscal years of the biennium.

The legislature approved 100% federal spending authority for the overtime salary and benefit costs incurred by the Air National Guard firefighters in Great Falls. Overtime costs are zero based and are not captured in the personnel services snapshot used for the initial budget preparation.

There are 30 Air Guard firefighters in Great Falls. These firefighters work between 182 and 416 regular extra hours per year. The requirement for additional hours is due to the 24 hour a day, 7 day a week crash/fire coverage necessary to support and maintain the Air National Guard mission and joint use requirements with the Great Falls International Airport. These scheduling requirements and holiday hours result in an additional 13,188 paid hours each year. FLSA

overtime must also be paid for all firefighter hours worked exceeding 212 in a two-pay period month, resulting in an additional 3,168 paid overtime hours each year.

DP 1302 - Federal Authority for Firefighter Training - The legislature approved federal spending authority for aircraft live fire training for 30 firefighters at the Air National Guard in Great Falls at a cost of \$675.00 per employee. This is annual mandatory training required per federal regulations for all firefighters working in a 24/7 aircraft crash/fire environment. The aircraft live fire training is conducted at the Helena Regional Airport on specialized aircraft and spill trainers for three days.

DP 1303 - Federal Authority for Natural Gas - The legislature approved federal funding for yearly additional natural gas distribution lines maintenance costs. The recurring utility maintenance costs are a new cost for MANG, and will be 100% federally reimbursed to the State of Montana through the Master Cooperative Agreement. The costs are estimated at approximately \$22,000 per year, based on recent tariff rates approved by the Public Service Commission.

DP 1306 - Federal Authority for Security Contract Increase - The legislature approved federal funding for an existing security protection services contract at the Montana Air National Guard base in Great Falls. The contract for security protection exceeds \$500,000, and the contract price did not increase in 2011 or 2012. In FY 2013 the costs increased by \$21,800, largely due to wage and benefit increases for the contracted security personnel over the past two years.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	23.00	23.00	24.00	24.00	23.00	24.00	1.00	4.35%
Personal Services	1,434,854	1,517,195	1,232,077	1,238,198	2,952,049	2,470,275	(481,774)	(16.32%)
Operating Expenses	602,199	353,842	697,541	685,127	956,041	1,382,668	426,627	44.62%
Grants	3,767,443	5,101,505	13,335,443	11,735,443	8,868,948	25,070,886	16,201,938	182.68%
Transfers	570,674	707,549	2,932,674	2,532,674	1,278,223	5,465,348	4,187,125	327.57%
Total Costs	\$6,375,170	\$7,680,091	\$18,197,735	\$16,191,442	\$14,055,261	\$34,389,177	\$20,333,916	144.67%
General Fund	1,044,104	1,065,244	1,132,636	1,129,232	2,109,348	2,261,868	152,520	7.23%
State Special	216,020	350,200	233,539	236,536	566,220	470,075	(96,145)	(16.98%)
Federal Special	5,115,046	6,264,647	16,831,560	14,825,674	11,379,693	31,657,234	20,277,541	178.19%
Total Funds	\$6,375,170	\$7,680,091	\$18,197,735	\$16,191,442	\$14,055,261	\$34,389,177	\$20,333,916	144.67%

Program Description

The Disaster and Emergency Services Division (DES) duties and responsibilities are provided for under Title 10, Chapter 3, MCA. The division is responsible for the coordination, development and implementation of emergency management planning, mitigation, response, and recovery statewide. This responsibility includes the administration and disbursement of federal homeland security and emergency management funds to eligible political subdivisions and tribal nations across the state. The division maintains a 24 hour a day point of contact to coordinate the volunteer, state, and federal response for assistance to political subdivisions and tribal nations in the event of an incident, emergency, or disaster.

Program Highlights

Disaster & Emergency Services Division Major Budget Highlights	
♦	The budget for the division increases by 145% due almost entirely to a change in the level of funding for Homeland Security Program Grants. At least 80% must be passed through to local and tribal applicants. The change includes increases in operating expenses, grants, and transfers
♦	The legislature adopted an additional 2% vacancy savings for DMA and included the entire reduction in the DES budget. The legislature provided language in HB 2 allowing the agency to allocate the reduction among programs
♦	Other increases include general fund and federal funding for: <ul style="list-style-type: none"> • 1.00 FTE and support for the Homeland Security Exercise and Evaluation Program • Contracts costs and training related to the State Emergency Coordination Center (SECC) • Re-establishment of overtime for disaster and emergency services personnel

Program Narrative

The 2015 biennium budget for the Disaster and Emergency Services Division increases by \$20.3 million or 144.7% when compared to the 2013 biennium. The majority of the increase is due to increased federal authority for the

Homeland Security Program, \$22.0 million in additional funding approved for the 2015 biennium. The increased funding supports increases for both grants and transfers.

Personal services decrease due a legislative decision to increase vacancy savings by an additional 2%. The legislature approved the additional amount based on all HB 2 positions within the Department of Military Affairs. The agency reduction was taken from the Disaster and Emergency Services Division budget but the legislature approved language in HB 2 allowing the agency to allocate the reduction to all programs within the Department of Military Affairs.

It should be noted that the legislature exempted facilities that are open 24 hours a day, 7 days a week from the calculation. As a result, certain staff positions within the Challenge Program should have been exempted from the additional reduction. This did not occur. The impact on the agency is that about \$15,000 of additional vacancy savings should have been excluded from the reduction.

The legislature also approved additional personal services supporting an additional 1.00 FTE for homeland security exercises and evaluations.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Disaster & Emergency Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,261,868	\$0	\$0	\$2,261,868	6.6%		
State Special Total	\$470,075	\$0	\$0	\$470,075	1.4%		
02156 Sar Des Dfwf Fees	\$107,000	\$0	\$0	\$107,000	0.3%		
02180 Emergency Preparedness Summit	\$20,035	\$0	\$0	\$20,035	0.1%		
Federal Special Total	\$31,657,234	\$0	\$0	\$31,657,234	92.1%		
Total All Funds	\$34,389,177	\$0	\$0	\$34,389,177	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Funding for the Disaster and Emergency Services Division is broken down roughly into three functional areas:

- Administration and coordination
- Search and rescue
- Grant programs

Administrative and coordination functions are funded primarily through a 50/50 partnership between state general fund and federal revenues. Disaster coordination functions are usually funded 100% with federal funds.

Search and rescue activities are funded through state special revenue funds derived from surcharges on conservation licenses and off-road vehicle licenses.

Grant activities are dominated by federal funding. The amount of this funding budgeted in HB 2 varies greatly depending on the federal source and available amounts known at the time of the budget submission. This is reflected in the \$22.0 million increase in federal funding for the upcoming biennium compared the 2013 biennium. The increased funding is provided for homeland security grants of which 80% are allocated to local and tribal governments.

The Governor is also provided a number of statutory appropriations in the event of a declared emergency or disaster. The most notable of these is the authority to authorize up to \$16 million over the biennium for disaster relief. These expenditures are authorized through executive orders. In FY 2012, the Governor authorized disaster relief expenditures from the general fund totaling \$7,631, with the remainder anticipated to be fully expended in FY 2013, primarily for fire suppression costs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,044,104	1,044,104	2,088,208	92.32%	6,375,170	6,375,170	12,750,340	37.08%
Statewide PL Adjustments	86,477	83,159	169,636	7.50%	(4,465)	(13,505)	(17,970)	(0.05%)
Other PL Adjustments	61,818	61,778	123,596	5.46%	12,061,818	10,061,778	22,123,596	64.33%
New Proposals	(59,763)	(59,809)	(119,572)	(5.29%)	(234,788)	(232,001)	(466,789)	(1.36%)
Total Budget	\$1,132,636	\$1,129,232	\$2,261,868		\$18,197,735	\$16,191,442	\$34,389,177	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					Total Funds
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				44,359						47,879
Vacancy Savings				(59,166)						(59,312)
Inflation/Deflation				(101)						(6)
Fixed Costs				10,443						(2,066)
Total Statewide Present Law Adjustments	\$86,477	\$31,730	(\$122,672)	(\$4,465)		\$83,159	\$34,730	(\$131,394)	(\$13,505)	
DP 50 - Initial Motion to FY 2012 Base	0.00	(86,477)	(31,730)	122,672	4,465	0.00	(83,159)	(34,730)	131,394	13,505
DP 51 - Adjustment for Statewide Personal Services	0.00	(2,425)	(502)	(11,880)	(14,807)	0.00	(1,872)	(387)	(9,174)	(11,433)
DP 52 - Adjustment for Statewide Operations	0.00	1,694	350	8,298	10,342	0.00	(339)	(70)	(1,663)	(2,072)
DP 53 - Base Funding Switch	0.00	87,208	31,882	(119,090)	0	0.00	85,370	35,187	(120,557)	0
DP 2101 - Federal Homeland Security Exercise & Evaluation	1.00	27,330	0	0	27,330	1.00	27,290	0	0	27,290
DP 2102 - Systems for State Emergency Coordination Center	0.00	15,000	0	0	15,000	0.00	15,000	0	0	15,000
DP 2103 - Spending Authority for Homeland Security Program	0.00	0	0	12,000,000	12,000,000	0.00	0	0	10,000,000	10,000,000
DP 2104 - DES Overtime	0.00	19,488	0	0	19,488	0.00	19,488	0	0	19,488
Total Other Present Law Adjustments	1.00	\$61,818	\$0	\$12,000,000	\$12,061,818	1.00	\$61,778	\$0	\$10,000,000	\$10,061,778
Grand Total All Present Law Adjustments	1.00	\$148,295	\$31,730	\$11,877,328	\$12,057,353	1.00	\$144,937	\$34,730	\$9,868,606	\$10,048,273

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 2101 - Federal Homeland Security Exercise & Evaluation - The legislature provided the Homeland Security Exercise & Evaluation Program (HSEEP) with an additional 1.00 FTE. HSEEP is an initiative directed by the Department of Homeland Security (DHS) to make all emergency management exercises uniform in nature. To continue to receive Emergency Management Assistance Grants (EMPG), HSEEP exercise guidelines must be followed. The position is to help insure guidelines are met.

DP 2102 - Systems for State Emergency Coordination Center - The legislature approved funding for the State Emergency Coordination Center (SECC) to maintain the crisis management system that tracks and records all activities. The annual maintenance costs are \$13,000 per year which covers upgrades and end user support. There is a \$7,000 per year cost for hosting the system. In addition, funds will be used for continued outreach and training with local, tribal, and state end users at an estimated \$10,000 per year.

DP 2103 - Spending Authority for Homeland Security Program - The Homeland Security Grant Program manages US Department of Homeland Security (DHS) anti-terrorism grant funds to pay for local, tribal, and state projects to strengthen the state's ability to prevent and respond to any hazard events. Focus for the grants is on interoperable communications, fusion center operations, explosive ordinance disposal and many other areas. Of the funds received through this grant program, at least 80% must be passed through to local and tribal applicants.

DP 2104 - DES Overtime - The legislature provided funding for the overtime salary and benefits costs incurred by the DES duty officers to provide 24 hour, 7 day a week disaster and emergency response. Overtime costs are zero based and not captured in the personnel services snapshot used for the initial budget preparation.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 54 - Additional Vacancy Savings										
21	0.00	(59,763)	(14,211)	(160,814)	(234,788)	0.00	(59,809)	(14,214)	(157,978)	(232,001)
Total	0.00	(\$59,763)	(\$14,211)	(\$160,814)	(\$234,788)	0.00	(\$59,809)	(\$14,214)	(\$157,978)	(\$232,001)

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	29.00	29.00	24.00	24.00	29.00	24.00	(5.00)	(17.24%)
Personal Services	1,461,475	1,478,435	1,303,233	1,304,418	2,939,910	2,607,651	(332,259)	(11.30%)
Operating Expenses	278,465	347,920	447,380	344,256	626,385	791,636	165,251	26.38%
Grants	0	0	180,000	180,000	0	360,000	360,000	n/a
Total Costs	\$1,739,940	\$1,826,355	\$1,930,613	\$1,828,674	\$3,566,295	\$3,759,287	\$192,992	5.41%
General Fund	884,803	884,510	1,065,662	1,065,664	1,769,313	2,131,326	362,013	20.46%
State Special	855,137	941,845	864,951	763,010	1,796,982	1,627,961	(169,021)	(9.41%)
Total Funds	\$1,739,940	\$1,826,355	\$1,930,613	\$1,828,674	\$3,566,295	\$3,759,287	\$192,992	5.41%

Program Description

The Veterans Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veterans' benefits. The program also administers the veterans' cemeteries located at Miles City, Fort Harrison in Helena, and Missoula. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs, and operates under a state mandate provided in Title 10, Chapter 2, MCA.

Program Highlights

Veterans' Affairs Major Budget Highlights	
♦	The majority of the changes approved for the program's budget are based on changes recommended by the Legislative Finance Committee (LFC). The legislature approved the LFC recommendation that the program reduce HB 2 appropriations that were also considered statutory appropriations
♦	The legislature also approved a new grant program to provide veterans' outreach services
♦	HB 626 increases the percentage, from .064% to 0.81%, of vehicle fees allocated to the: <ul style="list-style-type: none"> • State Veterans' Cemetery Account • Veterans' Services Account

Program Narrative

The Legislative Finance Committee (LFC) reviewed statutory appropriations for the Veterans' Affairs Program and determined that the money for the Veterans' Cemetery Program was appropriated twice, once in HB 2 and again in statute. The LFC recommended that the funding included in HB 2 be eliminated, allowing the statutory appropriation for the program to continue to provide support. As a result of the recommendation, the legislature eliminated the statutorily appropriated funds from HB 2, reducing personal services associated with 5.00 FTE and \$180,500 in operating expenses.

In addition, the legislature determined that the statutory appropriation should be assigned to the Department of Military Affairs. The legislature approved HB 21 to address this issue.

The legislature provided additional support for the Veterans' Affairs Program by:

- Increasing spending authority for patriotic plates by \$100,000 over the biennium
- Providing \$180,000 in grant authority for outreach services to veterans
- Providing an additional \$0.3 million in state special revenue by changing the percentage of motor vehicle revenues that are transferred from the general fund to state special revenue accounts supporting veterans' services and cemetery programs.

HB 626 Includes Provisions to Implement HB 2

The legislature approved HB 626, a bill to implement provisions of HB 2, to include changes to the percentage of motor vehicle revenues that are deposited into the general fund each fiscal year and then transferred to two accounts within the Veterans' Affairs Program:

- State Veterans' Cemetery Account
- Veterans' Services Account

The increase in the percentage, from 0.64% to 0.81% is estimated to restore the funding provided by the allocation to the levels previously provided prior to the adoption of a percentage.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Veterans Affairs Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,131,326	\$0	\$0	\$2,131,326	49.6%		
State Special Total	\$1,627,961	\$0	\$533,623	\$2,161,584	50.4%		
02214 Veterans Affairs Cemeteries	\$0	\$0	\$533,623	\$533,623	12.4%	10-2-603	Direct
02548 Veterans Affairs Sb401	\$1,527,961	\$0	\$0	\$1,527,961	35.6%		
Total All Funds	\$3,759,287	\$0	\$533,623	\$4,292,910	100.0%		
Percent - Total All Sources	87.6%	0.0%	12.4%				

The Veterans' Affairs Division is funded with both general fund and state special revenues. General fund is used to support functions throughout the division.

State special revenue is the largest funding source for the division when both HB 2 and statutory appropriations are considered. The primary state special revenue account, the veterans' services account, was created by the legislature during the 2003 regular session in SB 401, which allocated proceeds from the sale of veterans' specialty license plates to the account. In addition to the revenues received from the license plates, this account and the state veterans' cemetery account receive a portion of all of the motor vehicle registration revenue that is deposited into the general fund each year.

The State Veterans' Cemeteries Program is statutorily funded including revenues derived from cemetery donations and plot allowances as well as a percentage of the license plate funding.

Finally, the patriotic license plate account receives revenue from a \$15 surcharge on original and renewal patriotic license plates issued in Montana.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	884,803	884,803	1,769,606	83.03%	1,739,940	1,739,940	3,479,880	92.57%
Statewide PL Adjustments	859	861	1,720	0.08%	48,877	47,126	96,003	2.55%
Other PL Adjustments	0	0	0	0.00%	(188,623)	(288,820)	(477,443)	(12.70%)
New Proposals	180,000	180,000	360,000	16.89%	330,419	330,428	660,847	17.58%
Total Budget	\$1,065,662	\$1,065,664	\$2,131,326		\$1,930,613	\$1,828,674	\$3,759,287	

Statewide present law adjustments include increases for personal services and fixed costs as well as a funding shift that decreased general fund and increased state special revenue. Other present law adjustments include the reductions in HB 2 appropriations for the statutorily appropriated activities related to veterans' cemeteries. New proposals include general fund for veterans' outreach services and additional support provided by HB 626.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					102,934					103,898
Vacancy Savings					(62,579)					(62,614)
Inflation/Deflation					(2,930)					(1,664)
Fixed Costs					11,452					7,506
Total Statewide Present Law Adjustments		\$859	\$48,018	\$0	\$48,877		\$861	\$46,265	\$0	\$47,126
DP 50 - Initial Motion to FY 2012 Base	0.00	(859)	(48,018)	0	(48,877)	0.00	(861)	(46,265)	0	(47,126)
DP 51 - Adjustment for Statewide Personal Services	0.00	50,893	(10,538)	0	40,355	0.00	51,639	(10,355)	0	41,284
DP 52 - Adjustment for Statewide Operations	0.00	8,078	444	0	8,522	0.00	6,107	(265)	0	5,842
DP 53 - Base Funding Switch	0.00	(58,112)	58,112	0	0	0.00	(56,885)	56,885	0	0
DP 3101 - Move Cemetery Positions and Expenses to SA	(5.00)	0	(288,623)	0	(288,623)	(5.00)	0	(288,820)	0	(288,820)
DP 3102 - Spending Authority for Patriotic Plates (Biennial)	0.00	0	100,000	0	100,000	0.00	0	0	0	0
Total Other Present Law Adjustments	(5.00)	\$0	(\$188,623)	\$0	(\$188,623)	(5.00)	\$0	(\$288,820)	\$0	(\$288,820)
Grand Total All Present Law Adjustments	(5.00)	\$859	(\$140,605)	\$0	(\$139,746)	(5.00)	\$861	(\$242,555)	\$0	(\$241,694)

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 3101 - Move Cemetery Positions and Expenses to SA - This adjustment moves the State Veterans' Cemetery Program from HB 2 to a statutory appropriation, as recommended by the Legislative Finance Committee. This adjustment removes the personal services budget for 5.0 FTE and related expenses of the program.

DP 3102 - Spending Authority for Patriotic Plates (Biennial) - The legislature approved biennial spending authority of \$100,000 from the patriot license plate state special revenue account. The funding is to be used for staff training, operational support, and state veterans service organization projects of mutual support such as homeless veteran stand downs and outreach programs. The authority is provided as a biennial appropriation.

New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3103 - Veterans Outreach Servcs-(Restricted/Biennial/OTO)										
31	0.00	180,000	0	0	180,000	0.00	180,000	0	0	180,000
DP 3104 - Realignment of Veterans Affairs Funding										
31	0.00	0	150,419	0	150,419	0.00	0	150,428	0	150,428
Total	0.00	\$180,000	\$150,419	\$0	\$330,419	0.00	\$180,000	\$150,428	\$0	\$330,428

DP 3103 - Veterans Outreach Servcs-(Restricted/Biennial/OTO) - The legislature approved funding to provide grants for outreach services to veterans in Montana including initial contact with veterans in communities, assistance with applications and claims, volunteer training, and equipment purchases for transporting disabled veterans to services.

DP 3104 - Realignment of Veterans Affairs Funding - The General Government Joint Appropriations Subcommittee recommended and the legislature approved a realignment in the allocation of motor vehicle revenues by increasing the percentage allocated to the Veteran's Affairs Program from 0.64% to 0.81%. HB 626, which was approved by the legislature, brings the funding in the two state special revenue accounts supporting the program to the levels previously provided through two separate allocation methods, \$10 for each military plate sold and \$0.50 for each light vehicle registration.

HEALTH AND HUMAN SERVICES

Section B

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Public Health & Human Services

-----Committee Members-----

House

Representative Ron Ehli (Chair)
Representative Dave Hagstrom
Representative Pat Noonan

Senate

Senator Roger Webb
Senator Jason Priest
Senator Mary Caferro

-----Fiscal Division Staff-----

Lois Steinbeck
Marilyn Daumiller
Rob Miller

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	2,924.57	2,924.57	2,927.57	2,927.57	2,924.57	2,927.57	3.00	0.10%
Estimated Impact of HB 2*			(121.68)	(121.68)		(121.68)	(121.68)	
Net Estimated FTE*			2,805.89	2,805.89		2,805.89	(118.68)	
Personal Services	\$153,864,366	\$159,874,448	\$164,310,967	\$163,466,286	\$313,738,814	\$327,777,253	\$14,038,439	4.47%
Operating Expenses	111,109,855	103,664,824	121,795,043	126,069,489	214,774,679	247,864,532	33,089,853	15.41%
Equipment & Intangibles	712,994	670,318	740,994	802,994	1,383,312	1,543,988	160,676	11.62%
Grants	61,012,886	60,910,876	80,341,324	77,000,770	121,923,762	157,342,094	35,418,332	29.05%
Benefits & Claims	1,394,347,537	1,603,465,315	1,550,481,745	1,625,209,646	2,997,812,852	3,175,691,391	177,878,539	5.93%
Transfers-Out	2,650,614	3,597,289	2,612,219	2,610,419	6,247,903	5,222,638	-1,025,265	-16.41%
Debt Service	254,360	493,757	292,376	292,376	748,117	584,752	-163,365	-21.84%
Total Costs	\$1,723,952,612	\$1,932,676,827	\$1,920,574,668	\$1,995,451,980	\$3,656,629,439	\$3,916,026,648	\$259,397,209	7.09%
General Fund	398,337,886	422,356,927	443,972,724	462,908,431	820,694,813	906,881,155	86,186,342	10.50%
State Special	146,910,929	152,107,295	153,483,881	156,383,873	299,018,224	309,867,754	10,849,530	3.63%
Federal Special	1,178,703,797	1,358,212,605	1,323,118,063	1,376,159,676	2,536,916,402	2,699,277,739	162,361,337	6.40%
Total Funds	\$1,723,952,612	\$1,932,676,827	\$1,920,574,668	\$1,995,451,980	\$3,656,629,439	\$3,916,026,648	\$259,397,209	7.09%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Mission statement: Improving and protecting the health, well-being and self-reliance of all Montanans

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department has three branches, the Public Health and Safety Division, and the Director's Office. The branches and the related divisions are:

- o Economic Security Services Branch consisting of the Management and Disability Transition Program, Human and Community Services Division, Child and Family Services Division, and the Child Support Enforcement Division
- o Operations Services Branch consisting of the Business and Financial Services Division, Quality Assurance Division, Technology Services Division, and the Management and Fair Hearings Program
- o Medicaid and Health Services Branch consisting of the Disability Services Division, Health Resources Division, Medicaid and Health Services Program, Senior and Long-term Care Division, and the Addictive and Mental Disorders Division

The department is also responsible for all state facilities except correctional institutions. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights	
♦	The DPHHS 2015 biennium budget is \$259.4 million (\$86.2 million general fund) higher than the 2013 biennium
♦	Funding for benefits (direct services to eligible persons) adds \$177.9 million total funds over the biennium, with major increases including: <ul style="list-style-type: none"> ▪ Medicaid service utilization and eligibility increases - \$126.2 million total funds including \$23.2 million general fund • Temporary Assistance for Needy Families (TANF) benefits, child care, and early childhood services - \$15.3 million including \$2.2 million general fund
♦	Provider rate increases, which are allocated to both benefits and grants, add \$67.6 million total funds including \$21.8 million general fund
♦	Operating costs increase primarily due to: <ul style="list-style-type: none"> • Agency-wide information technology systems supporting accounting, management, and reporting functions of Medicaid and public assistance programs • Training and program support for public assistance programs across the state • State facility operating cost and inflation increases
♦	Personal services increases are primarily due to the net increase of funding for 3.00 FTE and for statewide and present law adjustments

Summary of Legislative Action

The 2015 biennium appropriation for DPHHS is \$259.4 million total funds, including \$86.2 million general fund, higher than the 2013 biennium. However, the legislature considered changes from FY 2012 base budget expenditures, which total \$468.7 million, including \$110.2 million general fund. Total appropriation changes approved by the legislature are greater than the biennial difference because FY 2013 appropriations are higher than the FY 2014 appropriation, which causes the biennial difference to be lower than the comparison of each year of the 2015 biennium to the base budget year.

Major legislative changes are:

- Medicaid enrollment and service utilization changes to continue present law services - \$245.6 million total funds, \$64.9 million general fund
- A 2% annual provider rate increase - \$47.6 million total funds, including \$16.9 million general fund
- Additional rate increases for children's mental health case management, developmental disability services, and direct care worker wages - \$21.7 million total funds, \$7.0 million general fund
- Increases in TANF and child care eligibility, TANF payment standards, benefits and support across TANF and early childhood programs - \$20.0 million total funds, \$2.7 million general fund
- Adoption of the Medicaid Community First Choice Option - \$17.1 million federal funds
- Increases to support the present law adjustments for the eligibility system serving CHIMES Medicaid, Healthy Montana Kids, and the TEAMS system supporting public assistance programs including SNAP and TANF - \$6.7 million total funds, \$0.3 million general fund
- One-time-only funding of state special and federal special revenue to complete the planning process for the MACWIS system - \$0.4 million

Legislative appropriation increases are net of the following reductions:

- A 2% reduction in the present law Medicaid services appropriations for services administered by the Health Resources Division and children's mental health services - \$22.5 million total funds, \$6.1 million general fund
- An additional 2% vacancy savings for all personal services costs except state facilities - \$1.3 million total funds, \$0.4 million general fund

Vacancy Savings and FTE

The additional 2% vacancy savings reduction was assessed to the Business and Financial services Division with language in HB 2 allowing the agency to allocate the reduction among programs.

The legislature approved funding for 2,927.57 FTE, a net increase in funding for 3.00 FTE. Legislative funding changes include:

- Increases for:
 - 5.00 FTE for eligibility work in the Office of Public Assistance
 - 1.00 FTE to administer the new Southwest Montana Veterans' Home
 - 1.00 FTE to administer the new Medicaid option called Community First Choice to enhance community services, increase the number of persons served in the community and receive an additional 6% federal Medicaid match for services costs
- Reductions of:
 - 2.00 FTE at the Montana Chemical Dependency Center that had been vacant for more than two years and that the agency indicated it would not be filling
 - 1.00 FTE at the Montana Veterans' Home that had been vacant for more than a year
 - 1.00 FTE from the Montana Developmental Center (MDC) to the Department of Justice for a criminal investigator to conduct investigations related to mistreatment, neglect, and abuse of residents of MDC

Bills to Implement HB 2

The legislature passed HB 625 to implement HB 2; however, the Governor vetoed the bill. As of this writing legislators are being polled to vote to uphold or override the veto since HB 625. The vote will not be final until after the Fiscal Report is published.

HB 625 implemented language in HB 2 requiring DPHHS to raise provider rates by 2% annually. HB 625 required the department to raise the base rate for FY 2012 by 2% effective July 1, 2013, and by an additional 2% starting July 1, 2014. HB 625 also limited the rate increase for Medicaid services to only those providers who are paid at a rate that is less than the federally prescribed rates as of January 1, 2013. Additionally, HB 625 required HB 2 appropriations for children's mental health case management rate increases to be used for that purpose.

Boilerplate

The boilerplate section in HB 2 includes the following language:

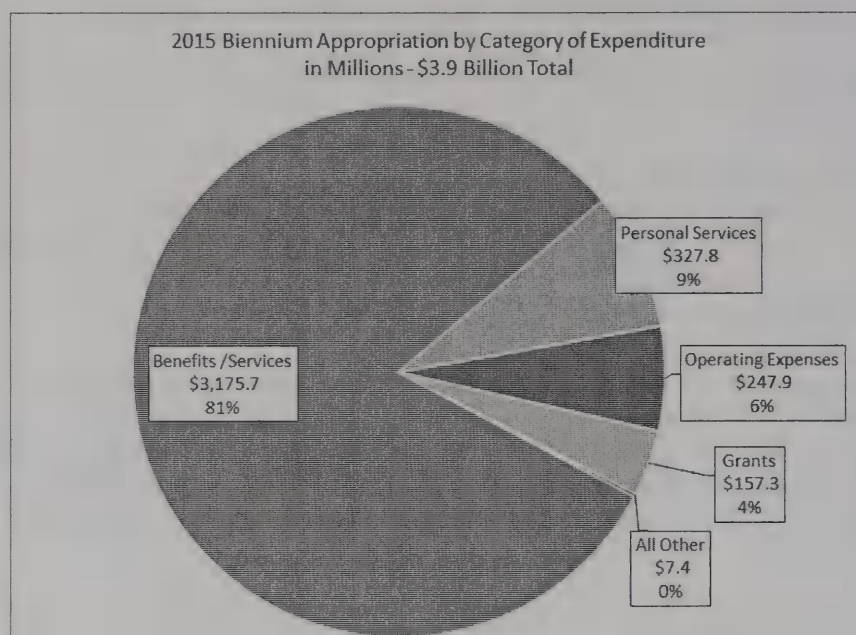
"It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium."

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440.00 statewide and by 121.68 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

DPHHS Appropriation Characteristics

Figure 1 shows the major components of the DPHHS appropriation. Benefits and claims, which fund services for persons who meet specific program eligibility usually tied to household income and in some cases age or level of disability, are \$3.2 billion or 81% of the total. Personal services costs are 9% of the total followed by operating expenses at 6%. Grants, which are funds passed through to local governments or other entities, are 4% of the total. All other costs are less than 1%.

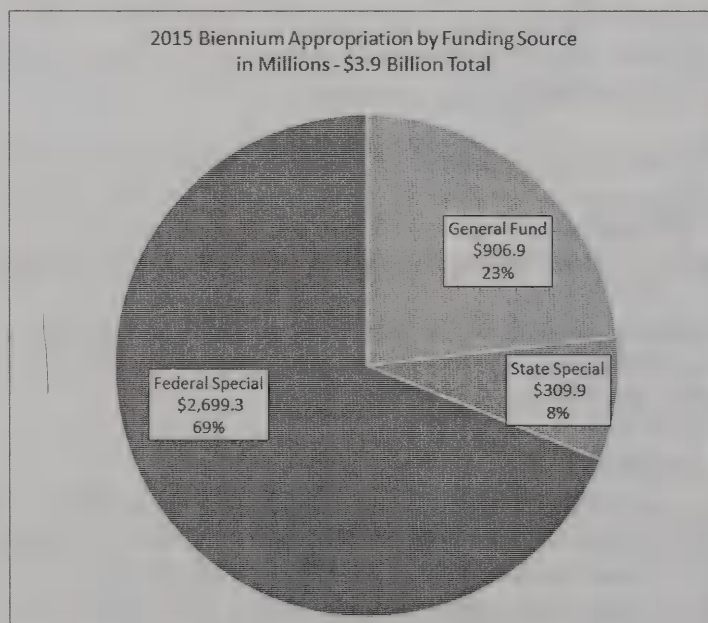
Figure 1



Appropriation by Fund

Figure 2 shows the DPHHS appropriation by fund. Federal funds are 69% of the total, with federal Medicaid funds comprising 40% of the agency appropriation. General fund is just under one-quarter of total funding. State special revenue is 8%. Funding is discussed in greater detail in the Funding section.

Figure 2

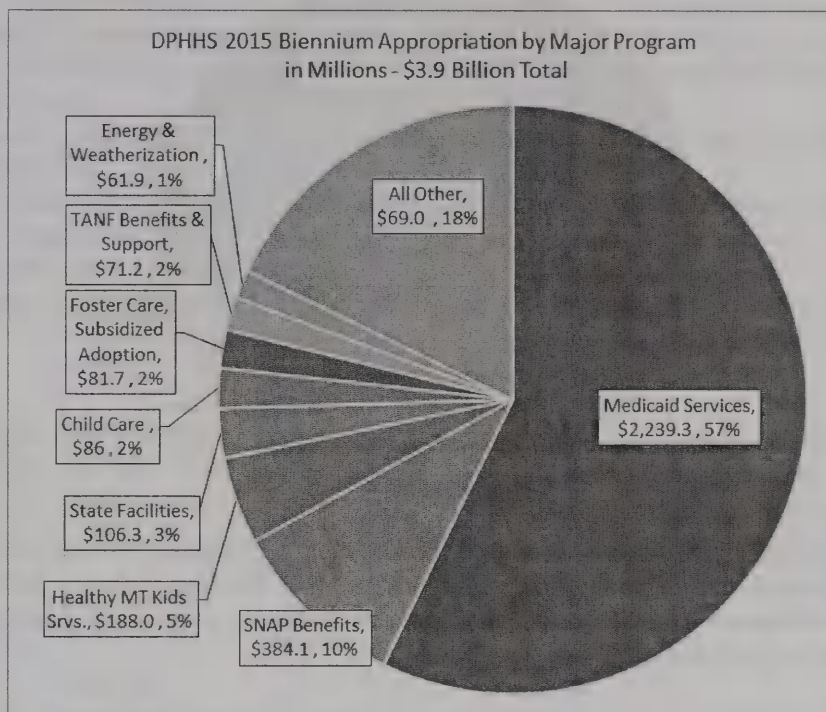


Appropriation by Major Function

Figure 3 shows the DPHHS appropriation by major function. The appropriation for Medicaid services for low-income children and some of their parents, elderly, and disabled persons is 57% of the total DPHHS appropriation. Medicaid

services are the major cost driver of the DPHHS budget, since most Medicaid services are entitlements, meaning that medically necessary services authorized in the Medicaid state plan must be provided to eligible persons.

Figure 3



Federally funded Supplemental Nutrition Assistance Program (SNAP) benefits are 10% of the total 2015 biennium appropriation. Healthy Montana Kids (HMK) services for children in families with incomes from 101% to 250% of the federal poverty level are 5% of the total.

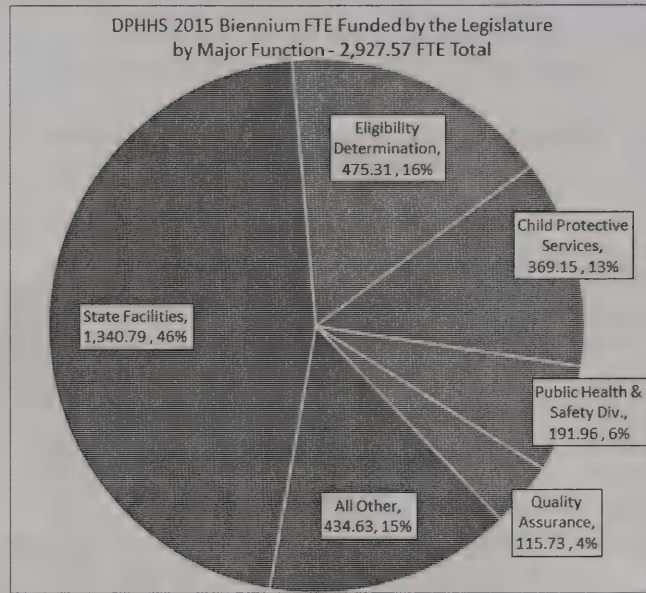
State facility costs are 3% of the total. Appropriations for child care, foster care and subsidized adoption, and Temporary Assistance for Needy Families (TANF) services are each about 2%. Energy and weatherization assistance are 1% of the total. The remaining 18% of the DPHHS appropriation includes other services and grant programs as well as program administrative costs. The aggregated cost for discrete, similar functions for the remaining programs is less than 1%. Examples of the types of costs and programs included in the “All Other” category, which are explained in greater detail in the following program narratives, are:

- Administrative costs for management of the appropriations for services listed in Figure 3, such as Medicaid, child care and foster care services
- Centralized administrative costs that support agency functions such as accounting, budgeting, personnel management and development and maintenance of information technology systems
- Other grant and benefit programs that provide state funded chemical dependency and adult mental health services, emergency preparedness, tobacco control, and prevention and nutrition programs such as the Women Infants and Children program

DPHHS FTE by Major Function

The legislature approved funding for 2,927.57 FTE, or 24% of the total FTE funded in HB 2. Figure 4 shows FTE by major program or function. Most of the DPHHS FTE are located outside Helena. The majority of DPHHS FTE – 46% - are employed by the seven state facilities administered by DPHHS.

Figure 4

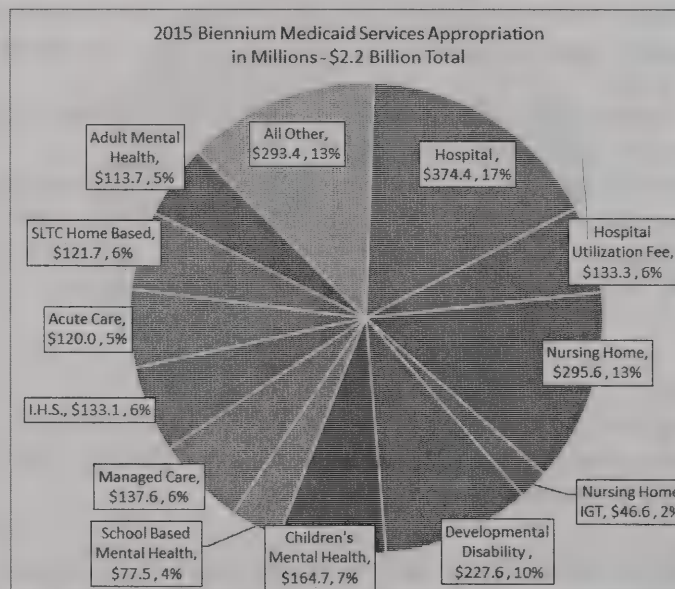


Eligibility determination for programs administered by DPHHS such as Medicaid, SNAP, and TANF are about 16% of the total, while the child protective services function is 13%. The Public Health and Safety Division has 6% of the agency FTE, while the Quality Assurance Division has 4%. The remaining programs and functions are 15% of the total. Personal services costs are proportional to the distribution of FTE.

Medicaid Services

As noted previously funding for medical services provided to low-income eligible children and some parents, elderly, and disabled persons is \$2.2 billion or 57% of the 2015 biennium appropriation. Figure 5 shows the Medicaid services appropriation by major category. Almost one half of the total appropriation supports three main service categories: hospital, nursing home, and developmental disability services. The single largest appropriation supports hospital and clinic services. Adding in the additional funds generated by the hospital utilization fee, the total appropriation for hospital services is \$507.7 million or 23% of the total.

Figure 5



Nursing home services plus the amount generated by the intergovernmental transfer (IGT) of county funds supporting nursing homes is 15% of the total with \$341.8 million. Services for the developmentally disabled, including group home, supported work, autism, and case management services is 10% of the total. Children's mental health services, including the 100% federal reimbursement for school based mental health services, is \$242.2 million or 12% of the total. Other service categories are less than 7% each and include:

- Managed care, which is primarily physician services
- Indian Health Services (I.H.S.), which is 100% federally funded reimbursement for I.H.S. services provided to Medicaid eligible persons
- Acute care services, such as dental; optometrist; ambulance; durable medical equipment; and physical, speech, and occupational therapy
- Home based services, including personal assistance, home health, and hospice services, administered by the Senior and Long Term Care Division (SLTC)
- Adult mental health services
- All other, such as chemical dependency, pharmacy, breast and cervical cancer, and community services managed by SLTC

Provider Rate Increases

The legislature appropriated \$69.3 million for a 2% rate annual increase for service providers as well as targeted rate increases for developmental disability services and children's mental health case management and ongoing funding to continue a one-time provider rate increase to support direct care worker wage increases in programs administered by the Senior and Long-Term Care Division. Figure 6 shows the total rate increases approved by the legislature.

Figure 6

Department of Health and Human Services Provider Rate Increases								
Provider Rate Increase Decision Packages	FY 2014				FY 2015			
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total
6902 - Economic Securities and Services Branch								
1901 - PRI Vocation Rehabilitation	\$67,384	\$0	\$104,226	\$171,610	\$136,116	\$0	\$210,536	\$346,652
20901 - PRI Child Care	489,482	0	0	489,482	988,754	0	0	988,754
30901 - PRI - Foster Care	153,014	0	69,218	222,232	309,193	0	139,716	448,909
30902 - PRI - Subsidized Adoption	23,746	0	28,261	52,007	48,009	0	57,045	105,054
30903 - PRI - Subsidized Guardianship	2,686	0	1,823	4,509	5,429	0	3,679	9,108
30904 - PRI - In Home Services	<u>31,976</u>	<u>0</u>	<u>0</u>	<u>31,976</u>	<u>64,591</u>	<u>0</u>	<u>0</u>	<u>64,591</u>
Subtotal	768,288	0	203,528	971,816	1,552,092	0	410,976	1,963,068
6911 - Medicaid and Health Services Branch								
10901 - DD Medicaid Provider Rate Incr.	638,857	0	1,258,551	1,897,408	1,295,474	0	2,537,290	3,832,764
10902 - DDP Non-Medicaid PRI	87,944	0	0	87,944	177,646	0	0	177,646
10903 - PRI - CMH Medicaid Core	467,987	0	921,935	1,389,922	948,983	0	1,858,660	2,807,643
10904 - CMH Non-Medicaid PRI	19,882	0	0	19,882	40,161	0	0	40,161
10905 - CMH 100% Federal Medicaid PRI	0	0	468,005	468,005	0	0	945,371	945,371
10909 - Increase DD and Non Medicaid PRI*	726,801	0	1,258,551	1,985,352	1,473,120	0	2,537,290	4,010,410
11901 - PRI - HMK Group	0	28,360	91,656	120,016	0	57,311	185,122	242,433
11902 - PRI - Medicaid Core	1,341,245	222,362	3,086,642	4,650,249	2,929,087	229,555	6,230,405	9,389,047
11903 - PRI - HMK Med CHIP Funded Grp.	0	46,739	151,057	197,796	0	94,454	305,097	399,551
10915 - Targeted Case Management SED Youth	967,662	0	1,843,674	2,811,336	999,919	0	1,867,644	2,867,563
22901 - PRI Med Ben Core Nursing Homes	958,145	0	1,882,487	2,840,632	1,938,322	0	3,799,755	5,738,077
22902 - PRI Med Ben Core Home Services	276,720	0	543,679	820,399	559,804	0	1,097,401	1,657,205
22903 - PRI Med Ben Waiver SLTC	246,745	0	484,784	731,529	499,163	0	978,526	1,477,689
22904 - PRI - Aging Services	209,887	0	0	209,887	423,971	0	0	423,971
22907 - Direct Care Worker Wage Increase	1,684,819	0	3,310,196	4,995,015	1,687,316	0	3,307,699	4,995,015
33901 - PRI Med Ben Waiver AMDD	0	102,377	201,142	303,519	0	207,108	406,001	613,109
33902 - PRI Med Ben Adult Mental Health	172,683	95,214	526,342	794,239	348,820	192,400	1,063,170	1,604,390
33903 - PRI - HB 131 Crisis Beds	5,500	0	0	5,500	11,110	0	0	11,110
33904 - PRI - CD SAPT Block Grant	0	0	82,718	82,718	0	0	167,091	167,091
33905 - PRI - Mental Health Services Plan	175,744	0	0	175,744	355,002	0	0	355,002
Subtotal	<u>7,980,621</u>	<u>495,052</u>	<u>16,111,419</u>	<u>24,587,092</u>	<u>13,687,898</u>	<u>780,828</u>	<u>27,286,522</u>	<u>41,755,248</u>
Grand Total	<u>\$8,748,909</u>	<u>\$495,052</u>	<u>\$16,314,947</u>	<u>\$25,558,908</u>	<u>\$15,239,990</u>	<u>\$780,828</u>	<u>\$27,697,498</u>	<u>\$43,718,316</u>
Biennial Total					<u>\$23,988,899</u>	<u>\$1,275,880</u>	<u>\$44,012,445</u>	<u>\$69,277,224</u>

*The general fund for this rate increase is funded by a reduction in the general fund to operate the Montana Developmental Center.

Line Item Veto

The legislature approved three appropriations that were removed from HB 2 by the Governor via line item veto. The vetoes were made after the legislature adjourned. The appropriations that were stricken include:

- An additional rate increase for Medicaid nursing home services - \$5.7 million total funds, including \$2.0 million general fund
- One-time funding for additional mental health crisis jail diversion services - \$0.7 million
- Funds for reporting requirements on the procedures developed for the implementation of HB 131 and SB 65 and the cases that resulted in better outcomes for children and families - \$1,000 general fund

Funding

DPHHS is funded by general fund, state special revenue, and federal funds. Figure 7 shows the major fund sources and the biennial appropriation from each.

Figure 7

Department of Public Health and Human Services Total Funding By Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$906,881,155	\$0	\$0	\$906,881,155	23.1%
State Special					
02772 Tobacco Hlth and Medicaid Init	\$77,822,359	\$0	\$0	\$77,822,359	2.0%
02989 69010-Hospital Utilization Fee	45,007,976	0	0	45,007,976	1.1%
02597 Healthy Montana Kids Plan	42,730,712	0	0	42,730,712	1.1%
02053 Medicaid IGTs	19,081,258	0	0	19,081,258	0.5%
02990 69010-Nursing Home Utilization	18,613,730	0	0	18,613,730	0.5%
02790 6901-Statewide Tobacco Sttlmnt	17,638,324	0	0	17,638,324	0.4%
02987 Tobacco Interest	14,765,504	0	0	14,765,504	0.4%
02034 Earmarked Alcohol Funds	12,207,100	0	3,821,174	16,028,274	0.4%
02023 Private Ins. Medicaid Reim.-Ve	9,912,842	0	0	9,912,842	0.3%
02789 6901-CHIP/MCHA Tobacco Sett Fd	8,528,659	0	0	8,528,659	0.2%
02366 Public Health Laboratory	6,327,691	0	0	6,327,691	0.2%
02260 Cigarette Tax Revenue	5,028,352	0	0	5,028,352	0.1%
02209 Third Party Contributions-F.C.	3,860,262	0	0	3,860,262	0.1%
02375 02 Indirect Activity Prog 02	3,181,289	0	0	3,181,289	0.1%
Other State Special Revenue	<u>25,161,696</u>	<u>0</u>	<u>5,817,948</u>	<u>30,979,644</u>	0.8%
State Special Total	\$309,867,754	\$0	\$9,639,122	\$319,506,876	8.1%
Federal Special					
03583 93.778 - Med Ben FMAP	\$1,423,806,693	\$0	\$0	\$1,423,806,693	36.3%
03678 6901-Food Stamp Benefits	381,884,068	0	0	381,884,068	9.7%
03426 CHIP Program Fed	146,894,307	0	0	146,894,307	3.7%
03582 93.778 - Med Ben 100%	133,074,183	0	0	133,074,183	3.4%
03109 TANF Benefits	58,159,467	0	0	58,159,467	1.5%
03572 93.568 - LIEAP Blk Grt Adm	47,106,850	0	0	47,106,850	1.2%
03598 03 Indirect Activity Prog 09	45,823,839	0	0	45,823,839	1.2%
03580 6901-93.778 - Med Adm 50%	29,756,501	0	0	29,756,501	0.8%
03096 Discretionary Child Care	28,836,285	-19,634	0	28,816,651	0.7%
03382 03 Indirect Activity Prog 02	27,442,056	0	0	27,442,056	0.7%
03604 84.126 - Rehab-Sec110 A 78.7%	26,386,239	0	0	26,386,239	0.7%
03168 ECIA Chapter 2	22,575,473	0	0	22,575,473	0.6%
03027 WIC (Women,Infants & Children)	20,816,041	0	0	20,816,041	0.5%
03530 6901-Foster Care 93.658	16,443,783	0	0	16,443,783	0.4%
03593 03 Indirect Activity Prog 03	15,486,199	0	0	15,486,199	0.4%
03531 6901-Subsidized Adopt 93.659	15,582,036	0	0	15,582,036	0.4%
Other Federal Special Revenue	<u>259,203,719</u>	<u>0</u>	<u>0</u>	<u>259,203,719</u>	6.6%
Total Federal Special	\$2,699,277,739	-\$19,634	\$0	\$2,699,258,105	68.8%
Total All Funds	\$3,916,026,648	-\$19,634	\$9,639,122	\$3,925,646,136	100.0%
Percent Total All Sources	99.8%	0.0%	0.2%	100.0%	

General fund is 23% of the total. It used for:

- State Medicaid match
- State mental health and developmental disability facilities
- Community aging services grants
- A portion of the community mental health services for low-income adults with a serious and disabling mental illness
- State Children's Health Insurance Program (CHIP) match
- A portion of administrative costs

State special revenue is 8% of the 2015 biennium appropriation for DPHHS. Uses for the major sources of state special revenue are:

- State Medicaid match
 - Tobacco tax health and Medicaid initiatives
 - Hospital utilization fee
 - Medicaid intergovernmental transfer payments from local governments
 - Nursing home utilization fees
 - Alcohol tax
 - Tobacco settlement interest
- Healthy Montana Kids state match for Medicaid and CHIP services
 - Insurance tax Healthy Montana Kids Plan
 - Tobacco tax health and Medicaid initiatives
 - Tobacco settlement interest
- Public health laboratory
 - Public health laboratory fees
- Montana veterans' services
 - Cigarette tax revenue
- Foster care services
 - Third party contributions or payments

Major sources of federal funds include:

- All Medicaid funds - \$1.7 billion
- Supplemental Nutrition Assistance Program (food stamps) - \$381.9 million
- Children's Health Insurance (CHIP) block grant – \$146.9 million
- Temporary Assistance for Needy Families block grant - \$59.2 million

Other sources of federal funds are less than \$50.0 million of the total appropriation and less than 1.5% of the total.

Use of Tobacco Settlement Funds

Tobacco settlement revenues support various functions throughout DPHHS. Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. 11% of the settlement revenues are deposited to the general fund and the balance is allocated based on initiatives passed by Montana voters:

- November 2000 - Constitutional Amendment 35 established a trust fund and requires not less than 40% of tobacco settlement money be deposited to the trust
- November 2002 - initiative 146 (17-6-606, MCA) established two state special revenue accounts with the following allocations and uses:
 - 32% to tobacco prevention/cessation programs
 - 17% to CHIP supporting HMK and the Montana Comprehensive Health Association (MCHA), a state funded high risk insurance pool

Money not appropriated from the state special revenue accounts within two years is transferred to the trust fund. Figure 8 shows revenues, expenditures, appropriations, and fund balances for these two uses of tobacco settlement funds.

Figure 8

Tobacco Settlement Accounts - Fund Balance					
Master Settlement Agreement Payment Allocations to State Special Revenue Accounts					
Allocation of Revenue, Expenditures, and Fund Balance	Actual FY 2012	Legislative Appropriation			Biennial % of Ttl
	FY 2013	FY 2014	FY 2015		
32% Allocated to Tobacco Cessation/Prevention					
Beginning Fund Balance	\$188,713	\$1,615,766	\$2,865,074	\$3,710,670	
Revenues*	<u>9,664,875</u>	<u>9,662,173</u>	<u>10,238,000</u>	<u>10,140,000</u>	
Total Available for Appropriation	9,853,588	11,277,939	13,103,074	13,850,670	
Expenditures					
Department of Revenue	301,974	303,271	318,989	318,557	3.4%
Department of Justice	111,045	123,972	118,303	118,585	1.3%
Public Health and Safety Division					
Tobacco Control & Prevention	3,997,104	4,000,000	4,723,409	4,724,708	50.3%
Chronic Disease Programs	2,617,360	2,617,456	2,967,969	2,974,256	31.6%
Home Health Visiting/MIAMI	403,736	404,036	404,012	403,971	4.3%
Tribal Programs	689,554	698,910	720,000	720,000	7.7%
Hospital Discharge	130,313	132,151	0	0	0.0%
Cost Allocated Administration**	<u>126,732</u>	<u>133,069</u>	<u>139,722</u>	<u>146,708</u>	<u>1.5%</u>
Subtotal Expenditures	<u>8,377,818</u>	<u>8,412,865</u>	<u>9,392,404</u>	<u>9,406,785</u>	<u>100.0%</u>
Adjustments	<u>139,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Expenditures	<u>8,517,814</u>	<u>8,412,865</u>	<u>9,392,404</u>	<u>9,406,785</u>	
Percentage Annual Change		-1.2%	11.6%	0.2%	
Ending Fund Balance	<u>\$1,615,766</u>	<u>\$2,865,074</u>	<u>\$3,710,670</u>	<u>\$4,443,885</u>	
17% Allocated to HMK and the MT Comprehensive Health Association					
Beginning Fund Balance	\$0	\$0	\$0	\$0	
Revenues*	<u>5,134,465</u>	<u>5,133,029</u>	<u>5,439,000</u>	<u>5,387,000</u>	
Revenues Available for Appropriation	5,134,465	5,133,029	5,439,000	5,387,000	
Expenditures					
Healthy Montana Kids Services	3,654,168	3,807,867	4,261,244	3,928,448	74.3%
Healthy Montana Kids Administration	51,577	60,349	69,121	74,449	1.3%
MT Comprehensive Health Assoc.**	925,563	925,563	946,455	943,696	17.1%
DPHHS Cost Allocated Admin.***	<u>399,462</u>	<u>399,462</u>	<u>399,462</u>	<u>399,462</u>	<u>7.2%</u>
Subtotal Expenditures	<u>5,030,770</u>	<u>5,193,241</u>	<u>5,676,282</u>	<u>5,346,055</u>	<u>100.0%</u>
Percentage Annual Change		3.2%	9.3%	-5.8%	
Adjustments****	<u>(103,695)</u>	<u>(60,212)</u>	<u>(237,282)</u>	<u>0</u>	
Ending Fund Balance****	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$40,945</u>	
*Revenues are those adopted in SJ 2, except for FY 2013, which includes actual revenue received as of April 19, 2013.					
**FY 2015 appropriations do not reflect the fiscal impact due to passage and approval of SB 223, which requires development and approval of a plan to terminate MCHA due to changes in the federal Affordable Care Act. The FY 2015 cost is estimated to be about \$300,000 lower than the appropriation according to the fiscal note for HB 223.					
***Nonbudgeted expenditures are allocated across funding sources to support shared administrative costs.					
****DPHHS and the State Auditor's Office will need to take actions to reduce expenditures from the account in FY 2013 and FY 2014.					

Funding from the tobacco cessation/prevention account supports additional programs including enforcement activities, chronic disease programs, home health visiting, hospital discharge information, and administrative costs at FY 2012 base budget levels with minor adjustments. Major changes from this tobacco settlement account allocation include:

- Additional funds for prevention of tobacco use by teens and children - \$1.5 million
- An expansion of asthma home visiting and prevention - \$0.2 million

The major change in the tobacco settlement allocation for HMK and MCHA includes replacing general fund state match and funding a provider rate increase for HMK for a total of \$1.0 million over the biennium. SB 223 requires the State Auditor's Office to develop a plan to terminate the MCHA due to insurance changes implemented by the federal Affordable Care Act that require insurance companies to provide insurance to persons without regard to preexisting medical conditions.

Tobacco Trust Fund Interest

The Montana Constitution stipulates that interest earnings from the tobacco trust fund are to be distributed:

- 90% for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- 10% to the tobacco trust

Figure 9 shows the revenues, budgeted appropriations, and fund balance for the tobacco trust fund over the 2015 biennium. Most programs are funded at the FY 2012 expenditure level. Major legislative appropriation changes from the account are:

- Accepting the executive proposal to pay a portion of the state match for cost increases in Medicaid hospital services due to enrollment and service utilization - \$1.4 million
- Partially offsetting reductions to Medicaid community based services administered by the Senior and Long-Term Care Division - \$0.5 million
- Implementing a 2% provider rate increase for Medicaid services - \$0.5 million
- Expanding funding for mental health crisis jail diversion grants to counties - \$0.4 million

Figure 9

Tobacco Settlement Trust Fund Interest - Fund Balance					
	Actual	Legislative Appropriations		Biennial	
Fund Balance, Revenues, Expenditures	FY 2012	FY 2013	FY 2014	FY 2015	% of Ttl
Beginning Fund Balance	\$13,363	\$16,258	\$651,386	\$62,923	
Revenues*	<u>6,030,990</u>	<u>6,142,500</u>	<u>6,568,200</u>	<u>7,038,900</u>	
Revenues Available for Appropriation	6,044,353	6,158,758	7,219,586	7,101,823	
Expenditures					
<u>Health Resources Division</u>					
Medicaid Acute Services	2,304,649	1,741,516	2,304,649	2,304,649	31.0%
Medicaid Hospital & Clinical Services	<u>543,647</u>	<u>543,647</u>	<u>1,237,602</u>	<u>1,773,901</u>	<u>20.3%</u>
Health Resources Division Subtotal	2,848,296	2,285,163	3,542,251	4,078,550	51.3%
<u>Senior and Long Term Care Division</u>					
Medicaid Nursing Home Services	831,850	831,850	831,850	831,850	11.2%
Home and Community Based Services	0	0	253,655	260,848	3.5%
Traumatic Brain Injury Services	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0.7%</u>
Senior and Long Term Care Div. Subtotal	881,850	881,850	1,135,505	1,142,698	15.3%
<u>Public Health and Safety Division</u>					
Adolescent Vaccinations	400,000	400,000	400,000	400,000	5.4%
Newborn Screenings	240,542	284,708	240,247	240,235	3.2%
Emergency Medical Services	119,889	122,288	119,889	119,889	1.6%
HIV Treatment	84,000	84,000	84,000	84,000	1.1%
Montana Health Professional Recruitment	75,000	75,000	75,000	75,000	1.0%
WIC Farmer's Market	9,000	9,732	9,000	9,000	0.1%
PHSD Cost Allocation**	13,538	16,029	14,215	14,926	0.2%
Genetics	<u>41,176</u>	<u>0</u>	<u>41,462</u>	<u>41,176</u>	<u>0.6%</u>
Public Health and Safety Division Subtotal	983,145	991,757	983,813	984,226	13.2%
<u>Developmental Services Division</u>					
Medicaid Children's Mental Health Services	233,552	233,552	202,259	202,259	2.7%
DD Part C, Title XX and MOE	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>8.1%</u>
Developmental Svcs Division Subtotal	833,552	833,552	802,259	802,259	10.8%
<u>Addictive and Mental Disorders Division</u>					
Mental Health Community Crisis Services	415,511	429,468	617,102	617,102	8.3%
Adult Mental Health Medicaid Benefits	27,659	27,659	27,659	27,659	0.4%
Mental Health Administration	<u>48,074</u>	<u>57,923</u>	<u>48,074</u>	<u>48,074</u>	<u>0.6%</u>
Addictive and Mental Disorders Div. Subtotal	<u>491,244</u>	<u>515,050</u>	<u>692,835</u>	<u>692,835</u>	<u>9.3%</u>
Total Expenditures	<u>6,038,087</u>	<u>5,507,372</u>	<u>7,156,663</u>	<u>7,700,568</u>	100.0%
Adjustments***	<u>9,992</u>	<u>0</u>	<u>0</u>	<u>(598,745)</u>	
Ending Fund Balance	<u>\$16,258</u>	<u>\$651,386</u>	<u>\$62,923</u>	<u>\$0</u>	
*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus. FY 2014 and FY 2015 revenues are those adopted in SJ 2.					
**Nonbudgeted expenditures are cost allocated administrative overhead expenses.					
*** Adjustments includes accounting changes and spending changes necessary to match expenditures to revenues.					

Health and Medicaid Initiative Funds

The health and Medicaid initiatives account was established by voter initiative in November 2004, which raised cigarette taxes by \$1 per pack and also raised tobacco taxes. Uses for the account are established in statute and fund Medicaid, Healthy Montana Kids, Big Sky Rx, and the Insure Montana program (premium assistance and tax credits for small employers who provide group health coverage for their employees). The Insure Montana program is administered by the State Auditor's Office and is funded from one-time appropriations through the end of the 2015 biennium. Due to changes

in the Affordable Care Act, the legislature did not anticipate continued funding for the program. Figure 10 shows the fund balance for the account.

Figure 10

Health and Medicaid Initiatives Fund Balance - 2013 Biennium Compared to 2015 Biennium					
Tobacco Tax Revenue Dedicated to Health Initiatives					
Fund Balance Revenue/Expenditures/Elected Official Request	Actual FY 2012	Estimated FY 2013	Legislative Appropriation FY 2014 FY 2015		% of Total
Beginning Fund Balance	\$29,199,806	\$23,070,266	\$10,451,874	\$2,907,795	7.5%
Revenue - Cigarette and Tobacco Tax*	37,383,560	36,883,000	36,508,000	35,763,000	92.5%
Transfer from Older Montanans' Trust (HB 604)	<u>3,166,502</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Total Revenue	69,749,868	59,953,266	46,959,874	38,670,795	100%
Interest Earnings	<u>638,211</u>	<u>59,953</u>	<u>93,920</u>	<u>193,354</u>	
Total Funds Available	70,388,079	60,013,220	47,053,794	38,864,149	
Expenditures					
<u>Medicaid Services</u>					
State Plan Services - Hospitals, Physicians, Prescription Drugs, Dental**	7,869,907	8,058,130	8,092,269	8,099,462	20.8%
Nursing Home Services	5,746,948	6,844,244	5,746,948	5,746,948	14.8%
HIFA Waiver - Adult Mental Health Services	2,402,403	1,843,997	3,966,303	4,055,890	10.4%
Senior/Physically Disabled Waiver	3,092,008	3,476,576	3,092,008	3,092,008	8.0%
Developmental Disability Benefits	2,942,130	2,942,130	2,942,130	2,942,130	7.6%
Mental Health and Chemical Dependency	2,045,955	2,055,711	2,139,345	2,238,732	5.8%
Home Based Services	1,857,206	2,106,888	1,857,206	1,857,206	4.8%
Children's Mental Health Services	1,741,003	1,741,003	1,741,003	1,741,003	4.5%
Adult Mental Health Community Srvs Waiver	1,090,044	1,035,744	1,113,354	1,141,052	2.9%
<u>Other Programs</u>					
Insure Montana Premium Assistance***	7,274,373	6,298,152	3,622,283	0	0.0%
Insure Montana Health Insurance Tax Credits***	2,917,736	4,159,099	1,498,190	0	0.0%
Big Sky Rx/PharmAssist	4,268,759	4,003,223	4,822,483	4,821,814	12.4%
Healthy Montana Kids/CHIP	3,453,921	3,403,921	3,453,921	3,453,921	8.9%
Insure Montana 95% Restriction/Other Adj.***	523,248	(522,863)	0	(384,600)	-1.0%
Mental Health Services Plan	0	2,060,256	0	0	0.0%
Other Services/Administration	<u>92,172</u>	<u>55,134</u>	<u>58,556</u>	<u>58,583</u>	<u>0.2%</u>
Subtotal Expenditures	<u>47,317,813</u>	<u>49,561,345</u>	<u>44,145,999</u>	<u>38,864,149</u>	100.0%
Annual Change	2.4%	4.7%	-10.9%	-12.0%	
Ending Fund Balance	<u>\$23,070,266</u>	<u>\$10,451,874</u>	<u>\$2,907,795</u>	<u>(\$0)</u>	
*Revenue based on estimates included in SJ 2.					
**FY 2013 estimated costs are based on HB 2 appropriations.					
***Insure Montana is funded through the end of the 2015 biennium from one-time appropriations. The 2013 Legislature passed HB 48, which eliminated the restriction that Insure Montana could spend only 95% of the amount appropriated for the program. Other adjustments include the 95% spending limit in the 2013 biennium and spending reductions needed to keep the fund balance positive in FY 2015					

The health and Medicaid initiatives account is not structurally balanced. Ongoing expenditure levels in FY 2015 exceed ongoing revenues by about \$3.4 million. The 2015 Legislature will need to either curtail expenditures from the account by reducing program costs or shifting costs to other sources, including the general fund.

About half of the FY 2015 biennium appropriations continue the amount expended in the base budget. Major changes in appropriations from the account include:

- Mental health services plan/HIFA Medicaid waiver annualization of enrollment increases over the 2013 biennium – \$3.0 million
- Big Sky Rx premium assistance increases – \$1.0 million
- State matching funds for Medicaid provider rate increases for adult mental health and chemical dependency services - \$0.5 million

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	----- General Fund -----				----- Total Funds -----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14 - 15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14 - 15	Percent of Budget
Base Budget	\$398,337,886	\$398,337,886	\$796,675,772	\$1	\$1,723,952,612	\$1,723,952,612	\$3,447,905,224	88.0%
Statewide PL Adjustments	3,917,272	3,765,388	7,682,660	0	8,307,532	7,784,565	16,092,097	0.4%
Other PL Adjustments	31,761,955	44,834,260	76,596,215	0	130,933,346	188,895,671	319,829,017	8.2%
New Proposals	<u>9,955,611</u>	<u>15,970,897</u>	<u>25,926,508</u>	<u>0</u>	<u>57,381,178</u>	<u>74,819,132</u>	<u>132,200,310</u>	<u>3.4%</u>
Total Budget	\$443,972,724	\$462,908,431	\$906,881,155		\$1,920,574,668	\$1,995,451,980	\$3,916,026,648	

Other Legislation

Bills that have a fiscal impact on DPHHS are summarized in the following section. Some of these bills are discussed in more detail in the program narrative. Those that implement provisions of HB 2 are discussed first.

Bills Implementing HB 2

HB 4 – This bill allows certain appropriations made in HB 2 in the 2013 biennium to continue into the 2015 biennium.

HB 625 – As was discussed earlier this bill, which implements HB 2, was vetoed by the Governor and legislators are currently being polled to determine if the veto will be overridden.

Interim Studies affecting DPHHS Programs

HJ 2 – This resolution initiates an interim study investigating state and local government electronic records management.

HJ 16 – This bill recommends an interim study of state-operated public institutions and community services.

SJ 20 – This bill requests an interim study on prescription drug abuse and the effects of the abuse on Montanans.

Other House and Senate Bills

HB 5 – This bill appropriates \$1.5 million long-range building funds to repair the sewage collection system at the Montana State Hospital.

HB 12 – This bill appropriates \$6.5 million general fund and \$12.7 million in federal matching funds for restricted provider rate payments in FY 2013. It was vetoed by the Governor, but legislators are being polled to vote to uphold or override the veto. The vote will not be final prior to the publication of the Fiscal Report.

HB 13 – This bill defines and provides for employee compensation for the 2015 biennium.

HB 16 – This bill revises involuntary commitment and emergency detention laws related to mental health issues. The agency estimated costs at \$150,600 and revenues at \$278,564 over the biennium. The legislature did not add funds for this purpose.

HB 74 – This bill requires the release of disclosure of records of child abuse or neglect to certain law enforcement, prosecutorial, and child welfare entities and individuals.

HB 76 – This bill creates the office of the child and family ombudsman in the Department of Justice. The ombudsman will serve as an independent, impartial, and confidential entity to protect the interests and rights of the state's children and families.

HB 77 - This bill eliminated obsolete language and allows the department to establish one or more offices of public assistance in each county.

HB 84 – This bill codifies 72-hour presumptive eligibility requirements for adult mental health crisis stabilization services and allows for two psychiatric evaluations during that period of time. The bill also clarifies that this service is not an entitlement and is subject to available funding. There is no fiscal impact because any increased costs will be absorbed by providing fewer services.

HB 107 – This bill revises laws related to legal counsel representation in abuse and neglect cases and court assignment of guardian ad litem or special advocates.

HB 131 – This bill authorizes DPHHS to share limited information about an investigation of reports of child abuse or neglect with a mandatory reporter who made a required report of alleged abuse or neglect.

HB 262 - This bill extends Medicaid eligibility to children placed in subsidized guardianship and aligns Montana's Medicaid statute with changes in the Social Security Act as amended through the "Fostering Connections to Success Act" making subsidized guardianships categorically eligible for Medicaid. There is no fiscal impact as these children typically already receive Medicaid services in Montana.

HB 330 - This bill requires certain data be sealed from public access in dissolution proceedings except data needed in administering Title IV-D of the Social Security Act, relating to child support enforcement and guardian ad litem duties.

HB 403 - This bill increases fees collected by district court clerks for various services that would impact Child Support Enforcement Division.

HB 583 – This bill establishes Montana Suicide Review Team to:

- Perform an in-depth analysis of suicides that occur in Montana, including a review of records available by law
- Compile statistics related to suicides for use in reports published by the department
- Analyze the causes of suicides
- Recommend measures to prevent future suicides

The bill appropriates \$67,000 general fund each year to DPHHS for meetings and administrative costs related to the review team.

HB 630 – This bill establishes the Montana food policy modernization project and requires DPHHS plus other departments and stakeholder groups to assess Montana food laws and to report to the interim Economic Affairs Committee. There is an appropriation of \$18,000 general fund to the Department of Agriculture to support the project.

SB 65 – This bill expands the list of persons to whom DPHHS may release child abuse or neglect case records from parent or person designated by a parent or guardian responsible for the child's welfare to include grandparent, aunt, uncle, brother, sister, and mandatory reporter.

SB 69 - This bill creates a fine for receiving assets that were transferred in order to qualify an applicant or recipient for Medicaid. A person who receives an asset for less than fair market value from an applicant for or recipient of medical assistance for certain long-term care services under this part is subject to a civil fine payable to the department. A court may impose a civil fine of 100% to 150% of the amount that the department paid for medical assistance for the applicant or recipient during the period of ineligibility that is attributable to the amount transferred to the person receiving the asset,

plus the department's court costs and attorney fees. The bill was a recommendation of the Select Committee on Efficiency In State Government. The fiscal note did not include an estimate of costs due to any legal work by DPHHS or impact on the judiciary due to court cases. Nor did the fiscal note estimate any savings due to recovery of cost or due to any potential for fewer asset transfers.

SB 84 – This bill establishes definition and regulation of patient-centered medical homes by the Commissioner of Insurance and allows DPHHS to implement rules to establish one or more patient-centered medical home programs as part of the Montana Medicaid program.

SB 134 – This bill revises elder abuse laws by establishing fines and sentences based on the value money, assets, or property that is taken from the victim.

SB 160 - This bill creates the offense of criminal child endangerment if the person purposely, knowingly, or negligently causes substantial risk of death or serious bodily injury to a child under 14 years of age

SB 198 – This bill provides increased penalties for assault on a minor under 36 months of age and requires counseling assessment on violence and dangerous behaviors and participation in referred treatments.

SB 351 – This bill provides for criminal background checks of residents in homes where a potential emergency placement may be made.

SB 410 – This bill includes state special revenue appropriations for the 2015 biennium of:

- \$2.0 million allocated to DPHHS for the purpose of funding various operations, benefits, and grant costs of the department
- \$7.5 million allocated to Governor's Office of Budget and Program Planning for the purpose of transferring money to various departments, including DPHHS, to fund operations costs

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget 2015	Leg - Exec. Difference Fiscal 2014	Biennium Difference Fiscal 14 - 15
FTE	2,924.57	2,953.07	2,927.57	(25.50)	2,953.07	2,927.57	(25.50)	(25.50)
Estimated Impact of HB 2*			(121.68)	(121.68)		(121.68)	(121.68)	
Net Estimated FTE*			2,805.89	(147.18)		2,805.89	(147.18)	
Personal Services	\$153,864,366	\$167,281,444	\$164,310,967	(\$2,970,477)	\$167,201,016	\$163,466,286	(\$3,734,730)	(\$6,705,207)
Operating Expenses	111,109,855	121,519,726	121,795,043	275,317	125,677,150	126,069,489	392,339	667,656
Benefits & Claims	1,394,347,537	1,341,241,046	1,550,481,745	209,240,699	1,411,731,049	1,625,209,646	213,478,597	422,719,296
Grants	61,012,886	79,354,733	80,341,324	986,591	76,014,179	77,000,770	986,591	1,973,182
Equipment & Intangibles	712,994	740,994	740,994	0	802,994	802,994	0	0
Debt Service	254,360	292,376	292,376	0	292,376	292,376	0	0
Transfers-Out	2,650,614	2,644,914	2,612,219	(32,695)	2,643,114	2,610,419	(32,695)	(65,390)
Total Costs	\$1,723,952,612	\$1,713,075,233	\$1,920,574,668	\$207,499,435	\$1,784,361,878	\$1,995,451,980	\$211,090,102	\$418,589,537
General Fund	398,337,886	445,360,526	443,972,724	(1,387,802)	464,339,571	462,908,431	(1,431,140)	(2,818,942)
State/Other Special	146,910,929	153,065,327	153,483,881	418,554	156,347,511	156,383,873	36,362	454,916
Federal Special	1,178,703,797	1,114,649,380	1,323,118,063	208,468,683	1,163,674,796	1,376,159,676	212,484,880	420,953,563
Total Funds	\$1,723,952,612	\$1,713,075,233	\$1,920,574,668	\$207,499,435	\$1,784,361,878	\$1,995,451,980	\$211,090,102	\$418,589,537

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The 2015 biennium appropriation is \$418.6 million higher than the executive request, but \$2.8 million general fund lower. The most significant difference is due to SNAP benefits. The executive budget proposed that the federal funds supporting SNAP benefits be statutorily appropriated, which would mean that the appropriation would not be needed in HB 2. The legislature did not pass HB 309, which authorized the statutory appropriation. Since HB 309 did not pass, it triggered a language appropriation in HB 2: "If legislation authorizing a statutory appropriation for SNAP benefits is not passed and

approved, the appropriation for the Human and Community Services Division is increased by \$190,942,034 federal funds each year.” As a result, the legislative appropriation is \$381.8 million federal funds higher over the biennium than the executive budget request.

Other major legislative increases over the executive budget are:

- Approval of the Medicaid caseload changes, which was added to the executive budget request in February 2011 - \$43.8 million, including \$4.9 million general fund
- Additional provider rate increases for developmental disability and children’s mental health Medicaid services - \$8.4 million, including \$3.4 million general fund
- Continuation of one-time appropriations from the 2013 biennium, including removal of the one-time designation, for direct care worker wage supports and personal services meal preparation - \$10.6 million, including \$3.9 million general fund
- Expansion of Developmental Disability community waiver services - \$6.5 million, including \$2.2 million general fund
- Expansion of targeted case management for developmental disabilities - \$3.1 million, including \$1.3 million general fund
- Additional funds for the community waiver services administered by the Senior and Long Term Care Division - \$2.7 million, including \$0.4 million general fund
- Funding for mental health crisis jail diversion services, short term community housing assistance, jail suicide prevention grants, and traumatic brain injury services - \$1.2 million, including \$0.5 million general fund
- Approval of a funding switch for the STARS program in Early Childhood Services from \$2.0 million general fund to federal CHIPRA funds and increasing the amount to \$2.4 million

The legislature made reductions to the executive budget that partially offset some of the increases. The legislative appropriation supports 25.50 fewer FTE than the Governor’s budget request. The lower level of funding is due to removing funding for vacant FTE and due to not approving requests to add funds for additional FTE. The legislature did not approve:

- Making 13.50 modified FTE permanent in Child and Family Services (\$1.2 million total funds - \$0.9 million general fund)
- Adding 2.00 federally funded FTE in the Quality Assurance Division (\$0.3 million federal funds)
- 6.00 FTE within the Medicaid and Health Services branch to support the children’s mental health waiver as a state plan
- Funding for 2.00 FTE at the Montana Chemical Dependency Center and 1.00 FTE at the Montana Veterans’ Home that had been vacant for an extended period of time
- Funding for 1.00 FTE at MDC, which was transferred to the Department of Justice

In addition to the FTE funding reductions, the legislature:

- Reduced the present law Medicaid services request - \$11.0 million, \$5.0 million general fund
- Imposed an additional 2% vacancy savings on all personal services costs except for state facilities - \$1.3 million total funds, \$0.4 million general fund
- Did not approve funding for overtime and holiday pay differential for the Montana Developmental Center - \$0.9 million general fund
- Reduced general fund appropriations for the Montana Developmental Center - \$2.6 million, in part to fund an additional 2% provider rate increase, expand waiver slots for community based service, provide funding for school based mental health coordination, and transfer 1.00 FTE from MDC to the Department of Justice

2013 Federal Poverty Level

Figure 11 shows the federal poverty level for 2013 and various levels of poverty by size of household. The federal poverty level index is updated annually and published in February or March each year.

Figure 11

2013 Federal Poverty Index															
Levels of Poverty by Family Size															
Family Size	Annual Household Income - 2013 Federal Poverty Level														
	30%	33%	40%	100%	133%	138%	144%	150%	175%	185%	200%	250%	300%	350%	400%
1	\$3,447	\$3,792	\$4,596	\$11,490	\$15,282	\$15,856	\$16,546	\$17,235	\$20,108	\$21,257	\$22,980	\$28,725	\$34,470	\$40,215	\$61,127
2	4,653	5,118	6,204	15,510	20,628	21,404	22,334	23,265	27,143	28,694	31,020	38,775	46,530	54,285	82,513
3	5,859	6,445	7,812	19,530	25,975	26,951	28,123	29,295	34,178	36,131	39,060	48,825	58,590	68,355	103,900
4	7,065	7,772	9,420	23,550	31,322	32,499	33,912	35,325	41,213	43,568	47,100	58,875	70,650	82,425	125,286
5	8,271	9,098	11,028	27,570	36,668	38,047	39,701	41,355	48,248	51,005	55,140	68,925	82,710	96,495	146,672
6	9,477	10,425	12,636	31,590	42,015	43,594	45,490	47,385	55,283	58,442	63,180	78,975	94,770	110,565	168,059
7	10,683	11,751	14,244	35,610	47,361	49,142	51,278	53,415	62,318	65,879	71,220	89,025	106,830	124,635	189,445
8	11,889	13,078	15,852	39,630	52,708	54,689	57,067	59,445	69,353	73,316	79,260	99,075	118,890	138,705	210,832
Family Size	Monthly Earnings - 2013 Federal Poverty Level														
	30%	33%	40%	100%	133%	138%	144%	150%	175%	185%	200%	250%	300%	350%	400%
1	\$287	\$316	\$383	\$958	\$1,273	\$1,321	\$1,379	\$1,436	\$1,676	\$1,771	\$1,915	\$2,394	\$2,873	\$3,351	\$5,094
2	388	427	517	1,293	1,719	1,784	1,861	1,939	2,262	2,391	2,585	3,231	3,878	4,524	6,876
3	488	537	651	1,628	2,165	2,246	2,344	2,441	2,848	3,011	3,255	4,069	4,883	5,696	8,658
4	589	648	785	1,963	2,610	2,708	2,826	2,944	3,434	3,631	3,925	4,906	5,888	6,869	10,441
5	689	758	919	2,298	3,056	3,171	3,308	3,446	4,021	4,250	4,595	5,744	6,893	8,041	12,223
6	790	869	1,053	2,633	3,501	3,633	3,791	3,949	4,607	4,870	5,265	6,581	7,898	9,214	14,005
7	890	979	1,187	2,968	3,947	4,095	4,273	4,451	5,193	5,490	5,935	7,419	8,903	10,386	15,787
8	991	1,090	1,321	3,303	4,392	4,557	4,756	4,954	5,779	6,110	6,605	8,256	9,908	11,559	17,569

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	146.00	146.00	146.00	146.00	146.00	146.00	0.00	0.00%
Personal Services	7,843,193	8,201,723	8,191,660	8,203,679	16,044,916	16,395,339	350,423	2.18%
Operating Expenses	6,288,754	5,298,878	6,322,760	6,342,327	11,587,632	12,665,087	1,077,455	9.30%
Benefits & Claims	13,345,125	12,284,420	13,516,735	13,691,777	25,629,545	27,208,512	1,578,967	6.16%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$27,477,072	\$25,785,021	\$28,031,155	\$28,237,783	\$53,262,093	\$56,268,938	\$3,006,845	5.65%
General Fund	5,111,808	5,364,352	5,602,510	5,673,164	10,476,160	11,275,674	799,514	7.63%
State Special	930,775	1,735,183	980,372	997,760	2,665,958	1,978,132	(687,826)	(25.80%)
Federal Special	21,434,489	18,685,486	21,448,273	21,566,859	40,119,975	43,015,132	2,895,157	7.22%
Total Funds	\$27,477,072	\$25,785,021	\$28,031,155	\$28,237,783	\$53,262,093	\$56,268,938	\$3,006,845	5.65%

Program Description

The Disability Employment and Transitions Division (DET) includes three bureaus: Field Services for Montana Vocational Rehabilitation/Blind-Low Vision Services, Program Support, and Disability Determination Services.

DET assists Montanans with disabilities in living, working, and participating in their communities. The program provides or contracts for a variety of employment outcome-related, independent living, and transition services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment.

The Economic Security Services Branch manager is attached to this program for budget purposes.

Program Highlights

Disability Employment and Transitions Division	
Major Budget Highlights	
♦	The legislature increased total funding for the division by 5.6% over the 2013 biennium primarily due to: <ul style="list-style-type: none"> • Statewide and present law adjustments that net about \$0.8 million total funds • Over \$0.5 million for a 2% provider rate increase • The impact of federal regulation changes and an unused contingency appropriation

Program Narrative

The legislature approved a total fund budget for the 2015 biennium that is 5.6% higher than the 2013 biennium primarily due to statewide and present law adjustments, an increase of \$0.5 million (\$0.2 million general fund) for a 2% provider rate increase, and an increase of about \$0.1 million state special revenue for projected increases in services for people with severe hearing, mobility, or speech impairments participating in the Montana Telecommunications Access Program (MTAP).

The legislative budget includes two funding changes that were made during the interim due to federal action.

As shown in the introductory budget comparison table, the first is a decrease in state special revenue between FY 2013 and FY 2014. It is related to a contingency appropriation of \$775,000 approved by the 2011 Legislature. The appropriation allows MTAP to respond should a federal mandate be implemented to shift costs presently covered at the federal level to state programs. The FY 2012 amount was not needed, but it remains in FY 2013. The legislature continued the \$775,000 for the 2015 biennium, but moved it to a language appropriation thereby removing it from the table above.

The increase in federal authority is related to the federal regulation that requires DET to spend social security program funds that are considered program income before the division can draw its federal grant funds. The ruling made the base level federal appropriation in FY 2012 insufficient and the department transferred federal authority to meet the increased expenditure. This raised the federal funds in FY 2012 to the \$21.4 million reflected above, which served as the base of the FY 2014 and FY 2015 legislative appropriation.

Benefits

Major services provided by DET programs include vocational rehabilitation (VR), independent living, MTAP, and disability determination. Services are provided both by staff and through social assistance. The programs provide services designed to:

- Help individuals with physical, mental, visual, hearing, brain injury, and other disabilities obtain and keep a job
- Support individuals with disabilities who wish to live independently as well as older blind clients who do not qualify for the Vocational Rehabilitation (VR) program
- Help with telecommunications needs of Montanans who are deaf, hard of hearing, speech disabled, or mobility disabled
- Determine eligibility for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI).

There are independent living centers in Missoula, Great Falls, Helena, and Billings and eleven branch offices throughout the state whose staff provide services to individuals with disabilities.

The table shows the benefit funding for the 2015 biennium reflecting services with general fund match, as well as those funded solely by federal funds or general fund.

Disability Employment and Transitions Division Benefit Funding for the 2015 Biennium		
Program	General Fund	Total Funds
General Fund Match or all Federal Funds		
Section 110 Vocational Rehabilitation	\$3,415,364	\$16,047,986
Independent Living Part B	1,006,536	1,398,912
Section 110 Blind and Low Vision	475,602	2,232,876
Social Security Benefits	0	3,026,962
Montech Grants	0	878,872
Supported Employment 6B	0	687,490
Disability Determination	0	102,468
Vocational Rehabilitation Admin	0	12,106
General Fund Only		
Extended Employment Benefits	2,636,906	2,636,906
Visual Medical Benefits	175,410	175,410
Independent Living Chapter 2	8,524	8,524
Total Funds	\$7,718,342	\$27,208,512

Montana Telecommunications Access Program (MTAP)

The legislature addressed the MTAP program in two parts. The first action approved a \$90,000 increase in state special revenue to cover projected costs in services. The second action, as mentioned earlier, established a language appropriation for contingent authority to spend \$775,000 in the 2015 biennium. Funding would be used in the event the federal government mandates that the states pay for new technology services that are presently covered by the National Exchange Carrier Association (NECA). There is also discussion in the new proposal and the language sections later in this write-up.

The following table shows the MTAP fund balance. The increase in costs for services mentioned earlier is in the lines for "Relay services." The contingency amount is shown at the bottom of the table. There is no reduction in FY 2013 as federal action has not been announced at the time of this writing and could not be implemented before FY 2014. The "Cash Balance Transfer HB 604" line reflects action by the 2011 Legislature when MTAP funds were transferred to the general fund.

Montana Telecommunications Access Program Fund Balance Projection						
Categories	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected
Beginning Fund Balance	\$1,522,978	\$2,040,687	\$2,468,132	\$1,010,422	\$1,500,015	\$1,970,230
Receipts						
Revenue Collected	\$1,364,326	\$1,349,314	\$1,332,666	\$1,445,300	\$1,445,300	\$1,445,300
Misc. Receipts	45	4	0	0	0	0
Total Funds Available	\$2,887,349	\$3,390,005	\$3,800,798	\$2,455,722	\$2,945,315	\$3,415,530
Expenses:						
Budgeted:						
Administrative (staff)	\$244,363	\$212,549	\$215,843	\$230,814	\$230,814	\$230,814
Other Services	9,789	12,836	18,781	16,335	16,335	16,335
Relay Services - Traditional	127,905	130,285	99,337	91,990	90,143	87,594
Relay Services - CapTel	158,016	166,130	216,741	242,375	263,600	283,040
Outreach	115,128	180,522	195,851	140,128	140,128	140,128
Supplies	18,481	5,537	7,779	7,700	7,700	7,700
distribution equipment	90,624	115,779	71,940	95,022	95,022	95,022
Communications	6,392	14,029	12,067	10,470	10,470	10,470
Travel	16,780	21,319	22,109	21,319	21,319	21,319
Rent/Utilities	32,413	27,521	28,483	32,406	32,406	32,406
Repairs/Maintenance	23,186	497	391	1,000	1,000	1,000
Other Expenses/Equipment	6,317	5,709	5,980	6,000	6,000	6,000
Debt Services/Leases	0	0	0	0	0	0
Subtotal Budgeted Expenses	\$849,394	\$892,713	\$895,302	\$895,559	\$914,937	\$931,828
Non-Budgeted and Prior Year:						
Indirect Costs	\$30,071	\$38,264	\$59,260	\$64,648	\$64,648	\$64,648
Prior Year Adj/Corr/Pymt	(32,803)	(9,104)	(14,186)	(4,500)	(4,500)	(4,500)
Cash Balance Transfers HB 604	0	0	1,850,000	0	0	0
Other Adjustments	0	0	0	0	0	0
Subtotal Non-Budgeted Expenses	(\$2,732)	\$29,160	\$1,895,074	\$60,148	\$60,148	\$60,148
Total Operating Expenses	\$846,662	\$921,873	\$2,790,376	\$955,707	\$975,085	\$991,976
Ending Fund Balance Without Contingency	\$2,040,687	\$2,468,132	\$1,010,422	\$1,500,015	\$1,970,230	\$2,423,554
Beginning Balance with Contingency				\$1,500,015	\$1,970,230	\$1,648,554
Contingency Amount for Relay Services	0	0	0	0	775,000	775,000
Ending Fund Balance with Contingency	\$2,040,687	\$2,468,132	\$1,010,422	\$1,500,015	\$1,195,230	\$873,554

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Economic Security Services Branch Funding by Source of Authority 2015 Biennium Budget - Disability Employment & Transitions							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$11,275,674	\$0	\$0	\$11,275,674	20.0%		
State Special Total	\$1,978,132	\$0	\$0	\$1,978,132	3.5%		
02159 Handicapped Telecommunications	\$1,894,599	\$0	\$0	\$1,894,599	3.4%		
02434 02 Indirect Activity Prog 01	\$83,533	\$0	\$0	\$83,533	0.1%		
Federal Special Total	\$43,015,132	\$0	\$0	\$43,015,132	76.4%		
03024 Soc Sec - Trust Funds	\$3,026,962	\$0	\$0	\$3,026,962	5.4%		
03365 03 Indirect Activity Prog 01	\$86,071	\$0	\$0	\$86,071	0.2%		
03554 84.169 - Independent Living 90	\$554,713	\$0	\$0	\$554,713	1.0%		
03555 84.177 - Indep Living Old Blin	\$469,843	\$0	\$0	\$469,843	0.8%		
03557 84.187 - Vic Sup Employment	\$687,490	\$0	\$0	\$687,490	1.2%		
03558 84.224 - Mon Tech 100%	\$878,872	\$0	\$0	\$878,872	1.6%		
03559 84.265 - In Service Training 9	\$35,540	\$0	\$0	\$35,540	0.1%		
03588 93.802 - Disabil Deter Adm 100	\$10,889,402	\$0	\$0	\$10,889,402	19.4%		
03604 84.126 - Rehab-sec110 A 78.7%	\$26,386,239	\$0	\$0	\$26,386,239	46.9%		
Total All Funds	\$56,268,938	\$0	\$0	\$56,268,938	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The program is funded from a variety of sources and funding and federal matching rates vary by function.

General fund comprises 20.0% of the budget, with most used to match federal funds. The activities supported entirely by the general fund are the extended employment program, visual services medical support, and the Montana Youth Leadership Forum. General fund also supports benefits, grants, and functions serving individuals wishing to live independently, obtain and maintain a job, and acquire the necessary assistive technology.

State special revenue comprises about 3.5% of the budget and is the sole support of the MTAP program. MTAP revenue is raised by a fee of 10 cents a month assessed on bills for subscriber connections and/or prepaid wireless telecommunication services per 53-19-311, MCA.

Federal funds comprise over 76.4% of the budget. The disability determination function is funded entirely with federal funds, as is the Montech assistive technology program and supported employment.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,111,808	5,111,808	10,223,616	90.67%	27,477,072	27,477,072	54,954,144	97.66%
Statewide PL Adjustments	423,318	425,240	848,558	7.53%	345,656	360,351	706,007	1.25%
Other PL Adjustments	(369,660)	(369,666)	(739,326)	(6.56%)	36,817	53,708	90,525	0.16%
New Proposals	437,044	505,782	942,826	8.36%	171,610	346,652	518,262	0.92%
Total Budget	\$5,602,510	\$5,673,164	\$11,275,674		\$28,031,155	\$28,237,783	\$56,268,938	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					689,793					702,311
Vacancy Savings					(341,326)					(341,825)
Inflation/Deflation					(5,387)					(2,650)
Fixed Costs					2,576					2,515
Total Statewide Present Law Adjustments		\$423,318	\$12,780	(\$90,442)	\$345,656		\$425,240	\$13,277	(\$78,166)	\$360,351
DP 50 - Initial Motion to FY 2012 Base										
0.00	(423,318)	(12,780)	90,442	(345,656)	0.00	(425,240)	(13,277)	78,166	(360,351)	
DP 51 - Adjustment for Statewide Personal Services										
0.00	54,198	10,029	284,240	348,467	0.00	55,615	10,375	294,496	360,486	
DP 52 - Adjustment for Statewide Operations										
0.00	(540)	(411)	(1,860)	(2,811)	0.00	(41)	(269)	175	(135)	
DP 53 - Base Funding Switch										
0.00	369,660	3,162	(372,822)	0	0.00	369,666	3,171	(372,837)	0	
DP 110 - MTAP Relay Services										
0.00	0	36,817	0	36,817	0.00	0	53,708	0	53,708	
Total Other Present Law Adjustments		\$0	\$36,817	\$0	\$36,817	0.00	\$0	\$53,708	\$0	\$53,708
Grand Total All Present Law Adjustments		\$423,318	\$49,597	(\$90,442)	\$382,473	0.00	\$425,240	\$66,985	(\$78,166)	\$414,059

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment funds the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 110 - MTAP Relay Services - The legislature approved an increase in state special revenue for the Montana Telecommunications Access Program (MTAP) to cover the projected costs of minutes used in providing traditional relay services and CapTel relay services for people with severe hearing, mobility, or speech impairments.

New Proposals

-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1901 - PRI Vocation Rehabilitation										
01	0.00	67,384	0	104,226	171,610	0.00	136,116	0	210,536	346,652
Total	0.00	\$67,384	\$0	\$104,226	\$171,610	0.00	\$136,116	\$0	\$210,536	\$346,652

DP 1901 - PRI Vocation Rehabilitation - The legislature approved a 2% provider rate increase in each year of the biennium. The following table shows the distribution of the provider rate increases in DET.

2 Percent Provider Rate Increases						
Program	FY 2014	FY 2015	2015 Biennium Total and Fund Allocation			
			Total	General Fund	Federal Fund	
Vocational Rehabilitation Section 110	\$130,136	\$262,876	\$393,012	\$83,710	\$309,302	
Blind and Low Vision Section 110	2,298	4,640	6,938	1,478	5,460	
Independent Living Part B	13,580	27,432	41,012	41,012	0	
Extended Employment	<u>25,596</u>	<u>51,704</u>	<u>77,300</u>	<u>77,300</u>	<u>0</u>	
	<u>\$171,610</u>	<u>\$346,652</u>	<u>\$518,262</u>	<u>\$203,500</u>	<u>\$314,762</u>	

Language and Statutory Authority

The legislature included the following language in HB 2.

“The Disability Employment & Transitions Division is appropriated \$775,000 of state special revenue from the Montana Telecommunications Access Program (MTAP) during each year of the 2015 biennium to cover a contingent FCC mandate, which would require states to provide either Video or Internet Protocol relay services for people with severe hearing, mobility or speech impairments.”

“The department of public health and human services must use \$171,610 in fiscal year 2014 and \$346,652 in fiscal year 2015 of funds in the Management and Disability Transitions Division to raise provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.”

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	502.31	502.31	507.31	507.31	502.31	507.31	5.00	1.00%
Personal Services	23,552,146	24,668,691	25,459,501	25,474,653	48,220,837	50,934,154	2,713,317	5.63%
Operating Expenses	7,393,796	8,673,138	8,221,678	8,243,489	16,066,934	16,465,167	398,233	2.48%
Equipment & Intangible Assets	0	90,550	28,000	90,000	90,550	118,000	27,450	30.31%
Capital Outlay	0	0	0	0	0	0	0	n/a
Grants	19,428,497	19,044,760	21,236,629	21,186,629	38,473,257	42,423,258	3,950,001	10.27%
Benefits & Claims	272,970,312	377,194,785	280,111,761	281,277,033	650,165,097	561,388,794	(88,776,303)	(13.65%)
Transfers	2,587,919	3,315,289	2,587,919	2,587,919	5,903,208	5,175,838	(727,370)	(12.32%)
Total Costs	\$325,932,670	\$432,987,213	\$337,645,488	\$338,859,723	\$758,919,883	\$676,505,211	(\$82,414,672)	(10.86%)
General Fund	30,728,352	29,012,895	32,887,293	33,645,005	59,741,247	66,532,298	6,791,051	11.37%
State Special	2,679,034	2,864,741	2,867,002	2,866,672	5,543,775	5,733,674	189,899	3.43%
Federal Special	292,525,284	401,109,577	301,891,193	302,348,046	693,634,861	604,239,239	(89,395,622)	(12.89%)
Total Funds	\$325,932,670	\$432,987,213	\$337,645,488	\$338,859,723	\$758,919,883	\$676,505,211	(\$82,414,672)	(10.86%)

Program Description

Primary functions of the Human and Community Services Division (HCSD) include administration and provision of:

- Eligibility services for Montana's Temporary Assistance to Needy Families (TANF) program, Refugee Assistance program, and Supplemental Nutrition Assistance Program (SNAP) as well as eligibility services for over 40 Medicaid groups including Healthy Montana Kids (HMK) Plus
- The Community Services block grant serving 10 Human Resource Development Councils, Low-Income Energy Assistance Program (LIEAP) and weatherization programs, emergency shelter and housing grants, and USDA commodities and distribution programs
- Early Childhood programs including child care programs and support of child care providers across the state, the Child and Adult Care Food Program, the Head Start State Collaboration grant

Program Highlights

Human and Community Services Division Major Budget Highlights	
◆	The decrease when the 2015 and 2013 biennia are compared is due to the impact of benefit appropriations and transfers that were not used in FY 2012 but remain in the FY 2013 appropriation
◆	When compared to the FY 2012 base, the legislature approved total fund increases of about \$24.6 million over the biennium: <ul style="list-style-type: none"> ▪ \$8.8 million (\$2.1 million general fund) in statewide and present law adjustments • \$15.8 million (\$3.0 million general fund) to expand programs related to TANF, child care, and public assistance eligibility

Human and Community Services Division (Continued)**Major Budget Highlights**

- ◆ The legislature addressed eligibility for TANF and child care with:
 - \$8.5 million federal TANF funds for the biennium to adjust eligibility and benefit payment standards establishing:
 - Eligibility calculations at 30% of the 2011 federal poverty level (FPL) from the 2006 FPL
 - Benefit payment calculations at 33% of the 2011 FPL from 33% of the 2009 FPL
 - About \$1.3 million general fund for the biennium to update child care eligibility beyond the 2009 FPL
 - \$0.5 million (\$0.2 million general fund) for 5.00 FTE for eligibility work in the Offices of Public Assistance
- ◆ The legislature provided support for providers through:
 - \$2.4 million federal funds to enhance the Best Beginnings STARS program in early childhood services
 - \$1.5 million general fund for a provider rate increase in the child care program

Program Narrative

As shown in the introductory program budget comparison, the legislature approved a budget for the 2015 biennium that is lower than the 2013 biennium. This is primarily due to the impact of public assistance benefits appropriations and transfers that were not used in FY 2012 but remain in the FY 2013 appropriation.

However, when the legislative appropriations for FY 2014 and FY 2015 are compared to the FY 2012 base year, there is a total fund increase in FY 2014 of about \$12.0 million and in FY 2015 of about \$13.0 million, including:

- About \$7.0 million in FY 2014 and \$8.0 million FY 2015 for benefits
- About \$2.0 million each year of the biennium for grants and personal services
- About \$0.8 million each year for operating expenses

The decrease in transfers shown in the main table primarily relates to funds supporting TANF employment, training, and work programs that are transferred to the Department of Labor and Industry. Funds are from the federal TANF and/or general fund TANF maintenance of effort (MOE). There is also a small transfer to Montana State University for a SNAP education program.

The \$89.4 million federal fund reduction shown in the biennium change column is primarily the net of the \$108.6 million difference between the expended FY 2012 appropriation and the available federal funds in FY 2013 and the \$19.5 million anticipated increase in benefits over the FY 2012 level. The increases are mostly for SNAP, TANF, child care, LIEAP, weatherization, and other support programs discussed throughout the fiscal report.

The increase in general fund is primarily due to fully funding personal services costs for employees in the public assistance offices throughout the state, and the general fund match for benefits.

Budget Increases

The legislature approved total fund increases of \$24.5 million for the biennium, including:

- Statewide present law adjustments that net about \$2.8 million after personal services of \$5.1 million are offset by reductions in vacancy savings and fixed costs of about \$2.3 million
- Present law adjustments of about \$6.0 million, \$5.4 million in federal funds, encompassing approval of nearly:
 - \$2.2 million primarily to support weatherization projects

- \$1.6 million for anticipated increases in the child and adult care food program caseload
- \$0.9 million for overtime, holiday, and differential pay and lease adjustments (\$300,000 general fund)
- \$0.5 million for child care caretaker relatives and the refugee program
- \$0.5 million for operating adjustments (\$20,000 general fund)
- New proposals of about \$15.8 million, \$12.8 million in federal funds, through the approval of about:
 - \$8.5 million federal TANF funds to raise the TANF eligibility and payment standards
 - \$1.7 million federal TANF funds to support Montana Out of School Time programs (MOST) (\$250,000), Court Appointed Special Advocates (CASA) (\$300,000), Education/GED programs (\$400,000), and Big Brothers and Big Sisters (\$700,000)
 - \$1.5 million general fund for provider rate increase in the child care program
 - \$1.2 million for the Best Beginnings STARS program for early childhood services
 - \$1.2 million general fund to update the child care eligibility poverty level
 - \$0.5 million (\$0.2 million general fund) for 5.00 FTE for eligibility work in the Offices of Public Assistance

The legislature also approved a "zero impact" adjustment in the general fund budget for the federally required TANF maintenance of effort (MOE). It approved a 3.0% increase in TANF WoRC contracts for each year of the 2015 biennium using TANF MOE general fund, directing HCSD to offset the amount from other TANF MOE general fund. Funding is shown as zero in the new proposal table because the estimated increases of \$170,771 in FY 2014 and \$175,849 in 2015 are offset by an equal reduction.

WoRC is the work readiness component of TANF requirements. The contractors work with TANF participants to gain employment skills. There is no change in the base amount of TANF general fund.

Primary Functions

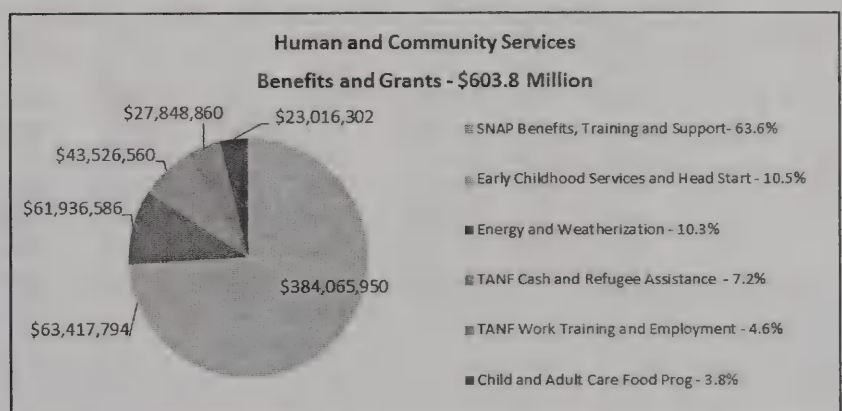
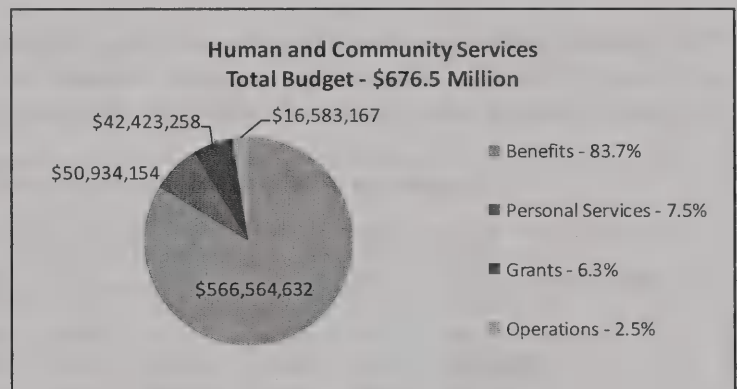
The legislature approved total funding of \$676.5 million for the biennium. Including benefits, grants, and the transfers, \$609.0 million is about 90.0% of the budget. Benefit funding primarily supports SNAP, TANF, child care and early childhood services, LIEAP, weatherization, and commodities. Grants support the delivery of the benefits and related training and support programs in communities throughout the state.

Personal services are funded at nearly 7.5% of the budget for 515.31 full time employees (FTE) for:

- 475.31 FTE in the Public Assistance Bureau and regional offices throughout the state
- 8.00 FTE in the HCSD administration
- 15.00 FTE working on programs in child care and early childhood services
- 17.00 FTE in low income energy, weatherization, and commodities.

Benefits and Grants

Benefits and Grants account for \$603.8 million total funds of the entire budget. SNAP benefits and the related training and support programs account for nearly 64% of the total for the division. The myriad of programs in early childhood services, including child care, safety, and provider development combined with the energy and weatherization programs account for about



28.0% of the total. TANF cash assistance and employment programs, together account for about 11.8%. The child and adult care food program accounts for about 3.8%.

The major funding components of the budget would serve at least an annual caseload of 3,182 TANF families, 126,547 SNAP recipients, 50,546 LIEAP recipients, and 10,663 child care recipients.

As noted earlier, the legislature provided funding increases for several existing programs, added the CASA program under the TANF umbrella and expanded the Best Beginnings STARS program in the Early Childhood Services Bureau.

However, the most notable action with regard to benefits and those entering the system occurred in the TANF program where the legislature approved an adjustment to the TANF eligibility and payment standards that:

- Increase the eligibility standard to 30% of the 2011 federal poverty level (FPL) from the current level of 30% of the 2006 FPL
- Change the payment standard to 33% of the 2011 FPL from the current level of 33% of the 2009 FPL.

This action includes \$8.5 million of federal TANF funds to accommodate an estimated average of 3,511 families in FY 2014 and FY 2015.

Beginning July 1, 2013 a family's countable income (total income less allowable deductions) must be at or below 30% of the 2011 FPL to be eligible for cash assistance benefits. As shown in the following table, the calculation of eligibility for a family of three would be based on an annual income of \$5,559 or less compared to \$4,980 under the former eligibility standard. Once eligible for the program, the monthly benefit payments would be \$510 compared to \$504 under the previous payment standard.

The following table shows the FPL differences from 2006 to 2011 relative to the eligibility change made by the legislature and from 2009 to 2011 relative to the payment standard change. Another action related to eligibility was the approval of \$1.2 million general fund to update the child care eligibility poverty level.

Comparison of the Federal Poverty Index for 2006 - 2013 Related to the TANF Rule Change												
Levels of Poverty by Family Size												
Family Size	Percent of FPL 2006			Percent of FPL 2009			Percent of FPL 2011			Percent of FPL 2013		
	30%	33%	100%	30%	33%	100%	30%	33%	100%	30%	33%	100%
1	\$2,940	\$3,234	\$9,800	\$3,249	\$3,574	\$10,830	\$3,267	\$3,594	\$10,890	\$3,447	\$3,792	\$11,490
2	\$3,960	\$4,356	13,200	\$4,371	\$4,808	14,570	\$4,413	\$4,854	\$14,710	\$4,653	\$5,118	\$15,510
3	\$4,980	\$5,478	16,600	\$5,493	\$6,042	18,310	\$5,559	\$6,115	\$18,530	\$5,859	\$6,445	\$19,530
4	\$6,000	\$6,600	20,000	\$6,615	\$7,277	22,050	\$6,705	\$7,376	\$22,350	\$7,065	\$7,772	\$23,550
5	\$7,020	\$7,722	23,400	\$7,737	\$8,511	25,790	\$7,851	\$8,636	\$26,170	\$8,271	\$9,098	\$27,570
6	\$8,040	\$8,844	26,800	\$8,859	\$9,745	29,530	\$8,997	\$9,897	\$29,990	\$9,477	\$10,425	\$31,590
7	\$9,060	\$9,966	30,200	\$9,981	\$10,979	33,270	\$10,143	\$11,157	\$33,810	\$10,683	\$11,751	\$35,610
8	\$10,080	\$11,088	33,600	\$11,103	\$12,213	37,010	\$11,289	\$12,418	\$37,630	\$11,889	\$13,078	\$39,630
Family Size	Monthly Earnings 2006 FPL			Monthly Earnings 2009 FPL			Monthly Earnings 2011 FPL			Monthly Earnings 2013 FPL		
	30%	33%	100%	30%	33%	100%	30%	33%	100%	30%	33%	100%
1	\$245	\$270	\$817	\$271	\$298	\$903	\$272	\$299	\$908	\$287	\$316	\$958
2	\$330	\$363	\$1,100	\$364	\$401	\$1,214	\$368	\$405	\$1,226	\$388	\$427	\$1,293
3	\$415	\$457	\$1,383	\$458	\$504	\$1,526	\$463	\$510	\$1,544	\$488	\$537	\$1,628
4	\$500	\$550	\$1,667	\$551	\$606	\$1,838	\$559	\$615	\$1,863	\$589	\$648	\$1,963
5	\$585	\$644	\$1,950	\$645	\$709	\$2,149	\$654	\$720	\$2,181	\$689	\$758	\$2,298
6	\$670	\$737	\$2,233	\$738	\$812	\$2,461	\$750	\$825	\$2,499	\$790	\$869	\$2,633
7	\$755	\$831	\$2,517	\$832	\$915	\$2,773	\$845	\$930	\$2,818	\$890	\$979	\$2,968
8	\$840	\$924	\$2,800	\$925	\$1,018	\$3,084	\$941	\$1,035	\$3,136	\$991	\$1,090	\$3,303

The legislature also supported increases in grants to communities as well as increased food program costs at:

- \$1.7 million federal TANF funds to provide grants to Montana communities for the Montana Out of School Time programs (MOST) (\$250,000), Court Appointed Special Advocates (CASA) (\$300,000), Education/GED programs (\$400,000), and Big Brothers and Big Sisters (\$700,000)
- \$1.6 million for anticipated increases in the child and adult care food program caseload
- \$1.2 million for the Best Beginnings STARS program for early childhood services

Major Benefits Programs

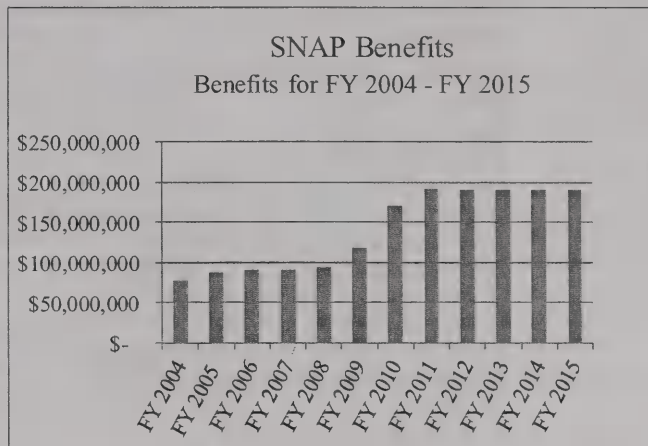
Supplemental Nutrition Assistance Program

The federally funded SNAP entitlement benefits are the largest benefit expenditure of HCSD. The caseload has stabilized since FY 2010, when the state faced an economic downturn. The legislature approved funding to maintain benefits at the base amount of about \$191.0 million serving an estimated 126,547 recipients each year.

Temporary Assistance for Needy Families

The following figure shows the TANF block grant. Items printed in bold show legislative actions that were discussed earlier in the write-up and also appear in the present law and new proposals sections.

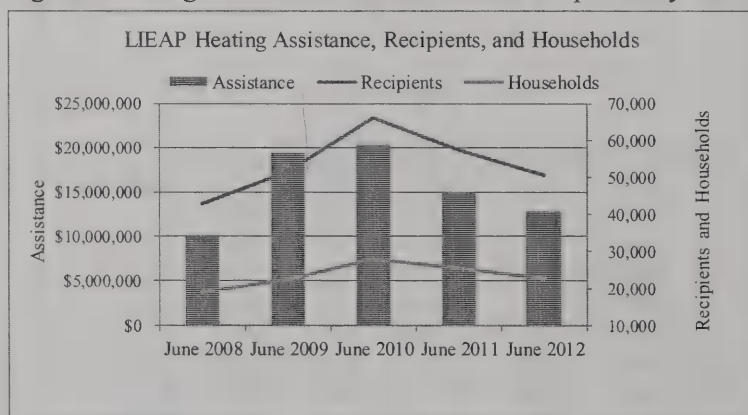
Appropriations were discussed with a caseload of 3,182. At the time of this writing, the caseload was 3,130 for FY 2013.



TANF Block Grant Funds and 2015 Biennium Appropriations				
	SFY 2012	SFY 2013	SFY 2014	SFY 2015
Actual/Projected Balance of Grant	\$45,045,941	\$42,810,092	\$35,042,514	\$27,373,145
Grant Amount	<u>38,039,116</u>	<u>38,039,116</u>	<u>38,039,116</u>	<u>38,039,116</u>
Beginning Balance	\$83,085,057	\$80,849,208	\$73,081,630	\$65,412,261
<u>Expenditures:</u>				
Benefits - Cash Assistance DP 20800 & 20801	\$15,785,908	\$17,833,850	20,548,870	20,548,870
Child Support Supplemental (HB 529 Passthrough / disregard)	<u>567,475</u>	<u>615,795</u>	<u>603,186</u>	<u>603,186</u>
Total Benefits	\$16,353,383	\$18,449,645	\$21,152,056	\$21,152,056
<u>TANF Share of Indirect Costs</u>				
Total cost allocation	\$4,377,796	4,509,130	4,644,404	4,783,736
<u>Other TANF uses:</u>				
Second Chance Home Services Support	300,000	300,000	300,000	300,000
Summer Youth Employment (DOLI)	24,844	975,156	0	0
TANF System (removal from TEAMS w/ maintenance)	2,279,727	2,793,522	1,200,000	1,200,000
MOST After School Program DP 20123	373,403	375,000	500,000	500,000
Family Economic Security Plan DP 20102	1,630,873	2,000,000	2,000,000	2,000,000
TANF Employment Program Services	569,186	1,021,087	1,021,087	1,021,087
Adult Basic Education DP 20803	91,142	100,000	200,000	200,000
Child Care - Working Caretaker Relatives DP 20104	294,388	466,833	466,833	466,833
Big Brothers / Big Sisters Grants DP 20905			350,000	350,000
Food Banks	100,000	100,000	100,000	100,000
CASA Grants (OTO) DP 20908			150,000	150,000
WoRC Contract (federal Share) Dept. Labor & Industry	0	530,998	530,998	530,998
Post Employment Program (Benefit)	454,571	690,912	454,571	454,571
Accelerated Employment Service Program	14,062	0	0	0
Emerg Assist & Prg 03 Foster Care Benefits	<u>2,217,113</u>	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>
Total other TANF uses	\$8,349,310	\$11,453,508	\$9,373,489	\$9,373,489
Total Expenditures	\$29,080,490	\$34,412,283	\$35,169,949	\$35,309,281
<u>Transfers:</u>				
Child Care	\$7,676,010	\$7,676,010	\$7,676,010	\$7,676,010
Additional Transfer Child Care	\$1,164,364	\$1,364,300	\$0	\$0
Additional Transfer Foster Care /Child and Family Service	\$355,875	\$355,875	\$577,613	\$577,613
Title XX program 03	<u>1,998,226</u>	<u>1,998,226</u>	<u>1,998,226</u>	<u>1,998,226</u>
	\$11,194,475	\$11,394,411	\$10,251,849	\$10,251,849
Expenditures and Transfers	\$40,274,965	\$45,806,694	\$45,421,798	\$45,561,130
Ending Balance	<u>\$42,810,092</u>	<u>\$35,042,514</u>	<u>\$27,659,832</u>	<u>\$19,851,130</u>

LIEAP and Weatherization

Legislative budget increases for this bureau are primarily due to federal benefits for LIEAP and federal and state special revenue funding for weatherization, housing, community services block grant projects, and emergency food assistance. As noted in the earlier benefits and grants discussion, the legislature appropriated over \$61.9 million in energy assistance, weatherization, and other community projects.



2013 is running about 10% less than FY 2012 or about 45,500. The federal funding for FY 2013 for Montana is presently at \$18.0 million compared to the FY 2012 amount of \$19.9 million, resulting in an estimated benefit of about \$550 compared to the \$562 average for FY 2012. The future of funding in the next biennium is unknown at this time.

Child Care Services

The legislature approved total funds of about \$25.1 million in FY 2014 and \$25.9 million in FY 2015 for child care, which included an increase in provider rates and funds to move child care eligibility beyond the 2009 FPL.

The table shows HCSD child care caseload and costs from FY 2005 through FY 2012. The increase in FY 2010 and FY 2011 reflects the impact of the recession.

However, at the time of this writing the FY 2013 child care expenditures and caseload are lower than FY 2012 at about \$21.0 million in expenditures and a total caseload of 2,900 for families and 4,550 for children. While the economy has improved, the increase is also partly due to providers opting to not accept more clients because of low provider rates, and families not qualifying for child care due to the present poverty level. As mentioned earlier, these items were addressed by the legislature.

It is anticipated that FY 2014 may see an increase in clients because of the legislative increase in the provider rates and the funding.

However, federal grant amounts have not been announced for FY 2014 and FY 2015 as of this writing.

HCSD Child Care Caseload and Expenditures			
Year	Unduplicated Families	Unduplicated Children	Annual Expenditures
FY 2005	3,202	5,350	\$ 17,896,246
FY 2006	3,210	5,124	18,258,433
FY 2007	3,120	5,285	19,313,017
FY 2008	3,111	5,124	20,192,185
FY 2009	3,189	5,218	22,077,629
FY 2010	3,478	5,754	26,377,845
FY 2011	3,518	5,734	26,506,892
FY 2012	3,318	5,352	24,311,891

Data Source: DPHHS

Funding

The following table shows program funding, by source for the 2015 biennium as approved by the legislature.

Total Economic Security Services Branch Funding by Source of Authority 2015 Biennium Budget - Human And Community Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$66,532,298	\$0	\$0	\$66,532,298	9.8%		
State Special Total	\$5,733,674	\$0	\$0	\$5,733,674	0.8%		
02375 6901-02 Indrct Actvty Prog 02	\$3,181,289	\$0	\$0	\$3,181,289	0.5%		
02688 6901-tanf Overpayments	\$130,000	\$0	\$0	\$130,000	0.0%		
02698 69010-prevention&stabilization	\$1,665,164	\$0	\$0	\$1,665,164	0.2%		
02772 Tobacco Hlth & Medica Initiative	\$65,825	\$0	\$0	\$65,825	0.0%		
02974 Univ Low Income Energy Assistance	\$691,396	\$0	\$0	\$691,396	0.1%		
Federal Special Total	\$604,239,239	\$0	\$0	\$604,239,239	89.3%		
03066 81.042 Bpa	\$990,507	\$0	\$0	\$990,507	0.1%		
03096 Discretionary Child Care	\$27,433,604	\$0	\$0	\$27,433,604	4.1%		
03109 Tanf Benefits	\$53,050,941	\$0	\$0	\$53,050,941	7.8%		
03135 Hopwa Help Plus	\$970,718	\$0	\$0	\$970,718	0.1%		
03168 Cacfp Child Care Wellness	\$22,575,473	\$0	\$0	\$22,575,473	3.3%		
03236 Child Nutrition	\$1,667,194	\$0	\$0	\$1,667,194	0.2%		
03250 Child Care Manditory/moe	\$4,504,312	\$0	\$0	\$4,504,312	0.7%		
03251 Child Care Admin	\$882,681	\$0	\$0	\$882,681	0.1%		
03252 Child Care Matching	\$9,579,444	\$0	\$0	\$9,579,444	1.4%		
03299 Support Pregnant & Parent Teen	\$23,794	\$0	\$0	\$23,794	0.0%		
03382 03 Indirect Activity Prog 02	\$27,442,056	\$0	\$0	\$27,442,056	4.1%		
03448 6901-early Childhood Comp Sys	\$172,147	\$0	\$0	\$172,147	0.0%		
03467 6901-homeless Mgmt Info System	\$132,612	\$0	\$0	\$132,612	0.0%		
03513 Chipra Bonus	\$2,400,000	\$0	\$0	\$2,400,000	0.4%		
03519 93.045 - Aging Meals 100%	\$92,108	\$0	\$0	\$92,108	0.0%		
03523 93.566 - Refugee Soc. Serv	\$155,000	\$0	\$0	\$155,000	0.0%		
03530 6901-foster Care 93.658	\$1,087,668	\$0	\$0	\$1,087,668	0.2%		
03539 93.600 Headstart	\$210,655	\$0	\$0	\$210,655	0.0%		
03544 10.561 - Fs E & T - 50%	\$453,800	\$0	\$0	\$453,800	0.1%		
03545 10.561 - Fs E & T - 100%	\$639,283	\$0	\$0	\$639,283	0.1%		
03546 10.561 - Fs Adm - Fed Exp 50%	\$2,262,424	\$0	\$0	\$2,262,424	0.3%		
03547 10.568 - Emerg Food Assist 100	\$340,456	\$0	\$0	\$340,456	0.1%		
03548 10.569 - Food Distr - Fed Exp	\$4,302,093	\$0	\$0	\$4,302,093	0.6%		
03550 14.231 - Emerg Shelter - Hud 5	\$1,446,322	\$0	\$0	\$1,446,322	0.2%		
03552 81.042 - Weather Ben 100%	\$4,105,585	\$0	\$0	\$4,105,585	0.6%		
03571 93.566 - Off Ref Reset Adm 10	\$25,000	\$0	\$0	\$25,000	0.0%		
03572 93.568 - Lieap Blk Grt Adm	\$47,106,850	\$0	\$0	\$47,106,850	7.0%		
03573 93.569 - Csbg Adm	\$6,037,852	\$0	\$0	\$6,037,852	0.9%		
03580 6901-93.778 - Med Adm 50%	\$202,031	\$0	\$0	\$202,031	0.0%		
03677 6901-cacfp 10.558 & 10.560	\$72,540	\$0	\$0	\$72,540	0.0%		
03678 6901-food Stamp Benefits	\$381,884,068	\$0	\$0	\$381,884,068	56.4%		
03679 6901-hopwa Cfda#14-241	\$951,048	\$0	\$0	\$951,048	0.1%		
03965 Csfp	\$1,038,973	\$0	\$0	\$1,038,973	0.2%		
Total All Funds	\$676,505,211	\$0	\$0	\$676,505,211	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The costs of this division are driven by the provision of benefits and the staff and contracted providers that deliver them throughout the state. The majority of funding for HCSD, 89.3%, comes from federal sources and is used for the direct provision of benefits and/or the programs supporting client recipients of the benefits.

General fund provides 9.8% of the division's funding. It represents about 9.0% of the funding for offices of public assistance; supports required TANF and child care maintenance of effort (MOE) requirements; and is used as match for federal programs such as Medicaid and SNAP eligibility determination and child care benefits.

State special revenue is primarily used in the delivery of childcare and energy and weatherization services, and comprises the preservation and stabilization fund and the universal systems benefits funds.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	30,728,352	30,728,352	61,456,704	92.37%	325,932,670	325,932,670	651,865,340	96.36%
Statewide PL Adjustments	908,658	918,098	1,826,756	2.75%	1,393,085	1,426,058	2,819,143	0.42%
Other PL Adjustments	(37,923)	(31,777)	(69,700)	(0.10%)	2,791,677	3,238,369	6,030,046	0.89%
New Proposals	1,288,206	2,030,332	3,318,538	4.99%	7,528,056	8,262,626	15,790,682	2.33%
Total Budget	\$32,887,293	\$33,645,005	\$66,532,298		\$337,645,488	\$338,859,723	\$676,505,211	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,528,895					2,551,626
Vacancy Savings					(1,043,229)					(1,044,136)
Inflation/Deflation					(7,482)					3,703
Fixed Costs					(85,099)					(85,135)
Total Statewide Present Law Adjustments										
		\$908,658	\$13,460	\$470,967	\$1,393,085		\$918,098	\$12,361	\$495,599	\$1,426,058
DP 50 - Initial Motion to FY 2012 Base	0.00	(908,658)	(13,460)	(470,967)	(1,393,085)	0.00	(918,098)	(12,361)	(495,599)	(1,426,058)
DP 51 - Adjustment for Statewide Personal Services	0.00	747,652	(80,090)	818,104	1,485,666	0.00	755,532	(78,977)	830,935	1,507,490
DP 52 - Adjustment for Statewide Operations	0.00	(20,130)	(14,751)	(57,700)	(92,581)	0.00	(18,062)	(14,453)	(48,917)	(81,432)
DP 53 - Base Funding Switch	0.00	181,136	108,301	(289,437)	0	0.00	180,628	105,791	(286,419)	0
DP 20102 - Family Economic Security and Employment	0.00	0	0	175,146	175,146	0.00	0	0	175,146	175,146
DP 20104 - Child Care for Working Caretaker Relatives	0.00	0	0	163,831	163,831	0.00	0	0	163,831	163,831
DP 20105 - Refugee Program	0.00	0	0	80,986	80,986	0.00	0	0	80,986	80,986
DP 20106 - Weatherization and Other IHSB Increases	0.00	0	100,000	980,000	1,080,000	0.00	0	100,000	992,000	1,092,000
DP 20206 - Child and Adult Care Food Program Caseload	0.00	0	0	600,000	600,000	0.00	0	0	1,016,000	1,016,000
DP 20300 - Required Overtime/Holiday/Differential Pay	0.00	63,323	20,959	99,281	183,563	0.00	63,323	20,959	99,281	183,563
DP 20302 - IHSB Operating Adjustment	0.00	0	0	113,829	113,829	0.00	0	0	114,055	114,055
DP 20303 - ECSB Operating Adjustment	0.00	8,125	0	109,471	117,596	0.00	8,125	0	109,297	117,422
DP 20501 - Private Lease Adjustment	0.00	71,765	42,585	162,376	276,726	0.00	77,403	43,973	173,990	295,366
Total Other Present Law Adjustments										
	0.00	\$143,213	\$163,544	\$2,484,920	\$2,791,677	0.00	\$148,851	\$164,932	\$2,924,586	\$3,238,369
Grand Total All Present Law Adjustments										
	0.00	\$1,051,871	\$177,004	\$2,955,887	\$4,184,762	0.00	\$1,066,949	\$177,293	\$3,420,185	\$4,664,427

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment funds the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - The legislature approved a fund switch between fund types to fund base operations.

DP 20102 - Family Economic Security and Employment - The legislature approved federal TANF funds to maintain the program authority at the level approved in the 2011 legislative session.

DP 20104 - Child Care for Working Caretaker Relatives - The legislature approved federal TANF funds to maintain the authority at the level approved in the 2011 legislative session to provide child care assistance to income limited relatives who have taken over the custody of TANF eligible children and remain employed.

DP 20105 - Refugee Program - The legislature increased federal appropriation authority for additional grant award amounts available under the Refugee Social Services and Refugee Cash and Medical Assistance Programs.

DP 20106 - Weatherization and Other IHSB Increases - The legislature approved increases in several funding sources to:

- Weatherize the maximum number of homes using available universal systems benefits (USB) state special revenue and Department of Energy (DOE) federal funding
- Increase grant authority to the level needed to maintain or replace existing equipment that is due for replacement using funding associated with the Food Distribution Program on Indian Reservations (FDPIR) federal authority
- Assist individuals who are either homeless or on the verge of becoming homeless with increased Emergency Solutions Grant (ESG) authority

DP 20206 - Child and Adult Care Food Program Caseload - The legislature increased federal funds for the Child and Adult Care Food Program to meet the 2.6% annual increase in USDA meal reimbursement payments and a 0.5% annual increase in the number of meals served.

DP 20300 - Required Overtime/Holiday/Differential Pay - The legislature restored funding for overtime, holidays worked, differential pay, and the corresponding benefits, which are zero-based and must be requested in full each biennium.

DP 20302 - IHSB Operating Adjustment - The legislature approved federal funds to meet current and anticipated workloads necessary to provide increased monitoring and oversight of LIEAP and Weatherization programs as requested by the Legislative Audit Division.

DP 20303 - ECSB Operating Adjustment - The legislature increased funding for system enhancements to the Head Start program and the Early Childhood Comprehensive program as required by the Early Childhood Comprehensive Systems (ECCS) grant. The increase is split between the two programs at about \$58,700 each.

DP 20501 - Private Lease Adjustment - The legislature approved funding to pay the cost associated with lease adjustments in non-state owned buildings throughout the state.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20123 - TANF MOST After School Program										
02	0.00	0	0	125,000	125,000	0.00	0	0	125,000	125,000
DP 20301 - Offices of Public Assistance 5.00 FTE (Rest/OTO)										
02	5.00	117,588	10,964	131,886	260,438	5.00	110,950	10,345	124,441	245,736
DP 20800 - TANF Payment Standard FPL Adjustment										
02	0.00	0	0	1,732,885	1,732,885	0.00	0	0	1,732,885	1,732,885
DP 20801 - TANF Eligibility Standard FPL Adjustment										
02	0.00	0	0	2,520,251	2,520,251	0.00	0	0	2,520,251	2,520,251
DP 20803 - TANF Education Support										
02	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 20901 - PRI Child Care										
02	0.00	489,482	0	0	489,482	0.00	988,754	0	0	988,754
DP 20905 - TANF Big Brothers Big Sisters Support										
02	0.00	0	0	350,000	350,000	0.00	0	0	350,000	350,000
DP 20906 - TANF WoRC Contracts 3% Increase										
02	0.00	0	0	0	0	0.00	0	0	0	0
DP 20907 - Update Child Care Eligibility FPL										
02	0.00	500,000	0	0	500,000	0.00	750,000	0	0	750,000
DP 20908 - TANF CASA Programs (OTO)										
02	0.00	0	0	150,000	150,000	0.00	0	0	150,000	150,000
DP 20909 - Best Beginning STARS (Rst/OTO/Biennial)										
02	0.00	0	0	1,200,000	1,200,000	0.00	0	0	1,200,000	1,200,000
Total	5.00	\$1,107,070	\$10,964	\$6,410,022	\$7,528,056	5.00	\$1,849,704	\$10,345	\$6,402,577	\$8,262,626

DP 20123 - TANF MOST After School Program - The legislature approved federal TANF funding for the Montana Out of School Time (MOST) after school program for TANF eligible children. The funding supports after school program grants of \$5,000 for operational expenses.

DP 20301 - Offices of Public Assistance 5.00 FTE (Rest/OTO) - The legislature provided a restricted, one-time-only appropriation for 5.00 FTE and associated funding to maintain the existing level of services in the Offices of Public Assistance (OPA).

DP 20800 - TANF Payment Standard FPL Adjustment - The legislature approved federal TANF funds to adjust the payment standard to 33% of the 2011 federal poverty level (FPL) from the current level of 33% of the 2009 FPL.

DP 20801 - TANF Eligibility Standard FPL Adjustment - The legislature approved federal TANF funds to support increases in benefits for an adjustment increasing the eligibility standard to 30% of the 2011 FPL from the current level of 30% of the 2006 FPL.

DP 20803 - TANF Education Support - The legislature provided federal TANF funds for increased funding for the TANF Education Support program and related grants to offer adult basic education for TANF-eligible individuals working to improve their educational skills, obtain a high school diploma, or obtain general educational development (GED) certification.

DP 20901 - PRI Child Care - The legislature increased general fund authority for a 2% annual provider rate increase across the biennium for child care providers and added compelling language for HB 625 as discussed earlier.

DP 20905 - TANF Big Brothers Big Sisters Support - The legislature approved \$350,000 each year of the biennium in TANF federal funds for grants throughout the state to support Big Brothers and Big Sisters programs serving TANF eligible children.

DP 20906 - TANF WoRC Contracts 3% Increase - The legislature approved a 3.0% increase in TANF WoRC contracts for each year of the 2015 biennium using TANF maintenance of effort (MOE) general fund with an offset of an equal amount in TANF MOE general fund. Funding is shown as zero in the new proposal table because the estimated increases of \$170,771 in FY 2014 and \$175,849 in 2015 are offset by an equal reduction.

The legislature also approved a "zero impact" adjustment to the federal TANF block grant by correcting an amount allocated to transfers for which there was no authority. The action took the "transfers" line back to the \$7,676,010 base amount.

DP 20907 - Update Child Care Eligibility FPL - The legislature approved nearly \$1.3 million general fund to update the child care eligibility federal poverty level (FPL) from 2009 to the most current FPL possible within the appropriation.

DP 20908 - TANF CASA Programs (OTO) - The legislature provided one-time-only funding of \$150,000 federal TANF funds each year of the biennium to support Court Appointed Special Advocates (CASA) programs to be used for volunteer expenses for TANF eligible children throughout the state.

DP 20909 - Best Beginning STARS (Rst/OTO/Biennial) - The legislature approved \$2,400,000 federal CHIPRA bonus funds that the state will receive, for the Best Beginning STARS program in the Early Childhood Services Bureau. The legislature restricted funding for this purpose and added an order of priority in the event CHIPRA grant funds are insufficient to fund all appropriations. Please see the following language section.

Language and Statutory Authority

The legislature included the following language in HB 2.

"The department of public health and human services must use \$489,482 in fiscal year 2014 and \$988,754 in fiscal year 2015 of funds in the Human and Community Services Division to raise provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015."

"Funding for Offices of Public Assistance FTE may be expended only by the Human and Community Services Division."

"Best Beginnings STARS funding may be used only by the Early Childhood Services Bureau to enhance the Best Beginnings STARS quality incentive programs."

"Best Beginnings STARS, Prevent Jail Suicide, and Montana State Hospital Overtime Pay are funded from a federal children's health insurance program reauthorization grant. If grant funds are insufficient to fund all appropriations, the funding shall be allocated in the following order of priority:

- (1) Montana State Hospital Overtime Pay;
- (2) Prevent Jail Suicide; and
- (3) Best Beginnings STARS."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	369.15	369.15	369.15	369.15	369.15	369.15	0.00	0.00%
Personal Services	18,606,388	19,002,027	20,148,688	20,172,187	37,608,415	40,320,875	2,712,460	7.21%
Operating Expenses	5,510,177	5,561,216	5,601,227	5,655,951	11,071,393	11,257,178	185,785	1.68%
Equipment & Intangible Assets	32,220	14,240	32,220	32,220	46,460	64,440	17,980	38.70%
Grants	7,181,939	6,338,025	7,181,939	7,181,939	13,519,964	14,363,878	843,914	6.24%
Benefits & Claims	29,832,885	32,142,537	33,047,099	34,322,496	61,975,422	67,369,595	5,394,173	8.70%
Debt Service	1,527	130,912	1,527	1,527	132,439	3,054	(129,385)	(97.69%)
Total Costs	\$61,165,136	\$63,188,957	\$66,012,700	\$67,366,320	\$124,354,093	\$133,379,020	\$9,024,927	7.26%
General Fund	31,865,778	33,318,418	34,907,946	35,971,663	65,184,196	70,879,609	5,695,413	8.74%
State Special	2,187,150	2,513,522	2,187,150	2,187,150	4,700,672	4,374,300	(326,372)	(6.94%)
Federal Special	27,112,208	27,357,017	28,917,604	29,207,507	54,469,225	58,125,111	3,655,886	6.71%
Total Funds	\$61,165,136	\$63,188,957	\$66,012,700	\$67,366,320	\$124,354,093	\$133,379,020	\$9,024,927	7.26%

Program Description

The Child and Family Services Division (CFSD) administers child protective services, child abuse and neglect services, prevention services, domestic violence grants, and other programs designed to keep children safe and families strong. CFSD is composed of three bureaus and five regions that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and 1370.

Program Highlights

Child and Family Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The legislature increased total funding for the division by nearly 7.3% over the 2013 biennium primarily due to: <ul style="list-style-type: none"> Statewide present law adjustment that net \$2.1 million total funds Present law adjustments of over \$6.4 million total funds supporting \$5.2 million for caseload adjustments and \$1.2 million to address overtime, other personal services, and leases \$2.5 million total funds to support a stipend for foster care and kinship care families, Tribal foster care, and a 2% provider rate increase 	

Program Narrative

The legislature approved a budget of just over \$133.0 million total funds for the biennium comprising 53% general fund, 3% state special revenue, and 44% federal funds.

The increase in the budget when the 2013 and 2015 biennia are compared is primarily due to:

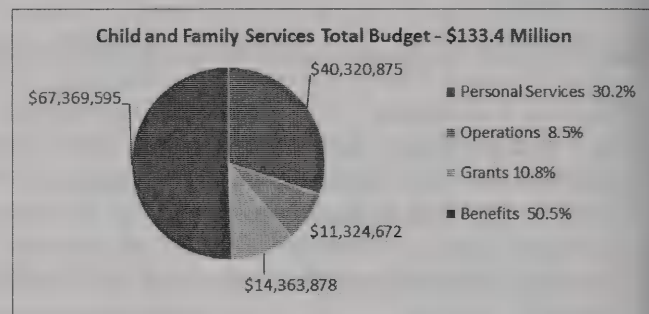
- Present law adjustments of about \$8.6 million total funds over the biennium for:
 - \$5.2 million for caseload adjustments (about \$3.3 million general fund)

- Statewide present law adjustment of \$2.1 million representing about \$3.8 million in personal services offset by about \$1.6 million in vacancy savings and a small reduction for deflation
- \$967,000 to restore overtime and other personal services
- \$267,000 for vehicle and office leases
- New proposals of over \$2.5 million total funds include about:
 - \$1.2 million federal TANF funds for a stipend supporting regular foster care and kinship care families
 - \$0.9 million for provider rate increases (about \$0.6 million general fund)
 - \$0.4 million general fund to address tribal foster care

The increase to the general fund of about \$5.7 million is primarily due to the \$7.2 million general fund in the appropriations mentioned above that is offset by executive interim reductions combined with yearend adjustments and reversions. These actions reduced the FY 2012 budget but are not reflected in the FY 2013 budget.

The reduction in state special revenue of about \$300,000 relates to a reduction in payments for Supplemental Security Income (SSI) payments for SSI eligible children and funds from child support.

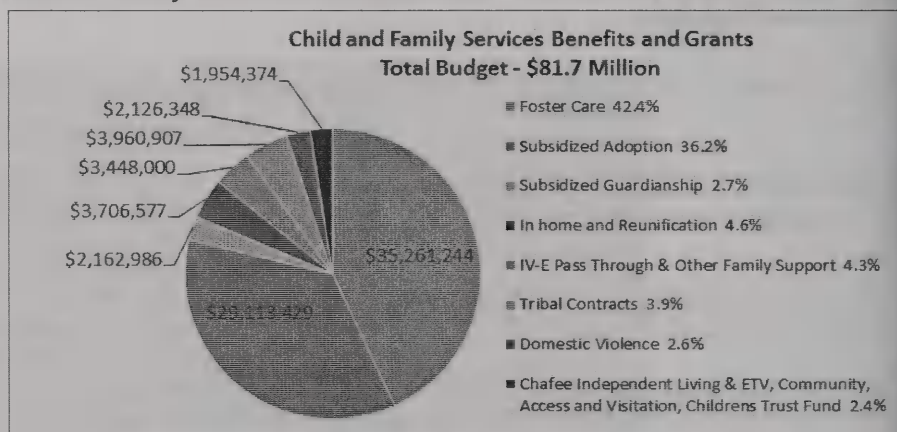
The chart shows that the \$133.0 million biennium total funds budget primarily includes funding for personal services and grants and benefits. At nearly \$82.0 million, benefits and grant funded programs serving foster care, subsidized adoption, subsidized guardianship, and a myriad of activities with the mission to keep children safe and support their families in reunification efforts comprise over 61.3% of the total budget. Personal services and operations costs support the field staff in five regional offices, centralized intake (all general fund), and administration.



Benefits and Grants

As mentioned earlier, benefits and grants account for nearly \$82.0 million total funds. The chart reflects that foster care, subsidized adoption, and subsidized guardianship represent 81.3% of the benefit and grant support budget.

Funding for grants and benefits serving children and families throughout the state ranges from in-home and reunifications services at 4.6% to family support at 4.3% and Tribal contracts at 3.9%. The remainder helps address independent living, domestic violence issues, access and visitation, and other activities.



The Children's Trust Fund resides in the Director's Office but serves programs of CFSD. It contains an Endowment for Children managed by the Board of Investments that was launched in FY 2000 and later received a \$1.0 million general fund legislative appropriation to provide a permanent source of funding to support the programs and services related to child abuse and neglect, including family services programs operated by nonprofit or public community-based educational and service organizations.

Caseload

The legislature funded projected benefits through FY 2015 for foster care and increased efforts to unite children with relatives through subsidized adoption and guardianship and relative foster placements.

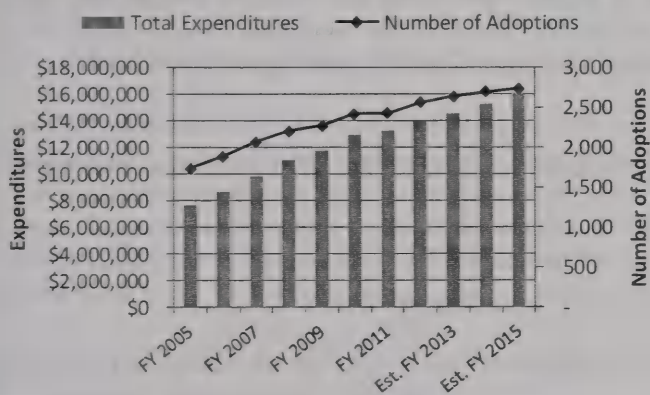
The following table and charts reflect the legislative appropriations for subsidized guardianship, subsidized adoption, and foster care. The table shows benefit increases to the base. The charts show the historical changes in the number of foster care and subsidized adoption clients with the subsidized guardianship and adoption categories combined. The caseload reflects children receiving multiple services.

Child and Family Services Increases to the Base and Estimated Caseload Served											
	FY 2014 Appropriation						FY 2015 Appropriation				
	FY 2012 Base	Estimated Caseload	General Fund	Federal Funds	Total Funds	Increase over Base	Estimated Caseload	General Fund	Federal Funds	Total Funds	Increase over Base
Present Law Caseload Increase											
Subsidized Guardianship	\$897,534	190	\$88,591	\$56,258	\$144,849	16.1%	202	\$128,999	\$79,453	\$208,452	23.2%
Subsidized Adoption	13,118,575	2,380	500,124	575,599	1,075,723	8.2%	2,482	766,423	877,072	1,643,495	12.5%
Foster Care	15,448,896	4,198	729,288	176,017	905,305	5.9%	4,286	1,088,638	143,751	1,232,389	8.0%

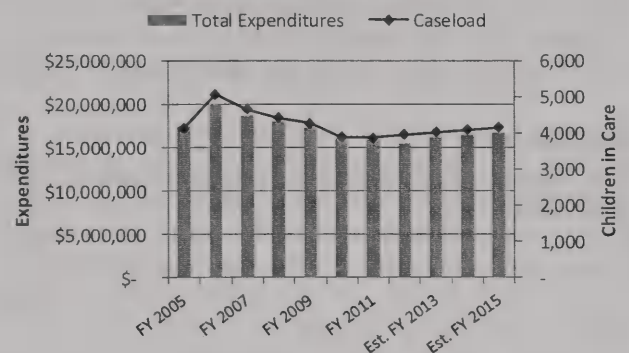
The following foster care chart shows that caseload and expenditures increased from FY 2005 to FY 2006. This was due to a surge of adult addictive behavior that was primarily due to methamphetamine, alcohol, and prescription drugs and the related impact on families. The expenditures gradually returned to the \$15.4 million level by FY 2012, and are projected to near \$17.0 million by FY 2015.

The increase in subsidized adoption expenditures relates to the number of children available for adoption and the negotiated cost plans. The children enter with cost plans based upon the economy at that time and families generally negotiate a higher cost plan for subsidies than those children already in the program. Parents that are already in the program may also negotiate subsidies for a higher level.

Subsidized Adoptions FY 2005 - FY 2015



Foster Care FY 2005 - FY 2015



Additional Legislative Appropriations

The legislature appropriated funding for an information technology (IT) project and a child and family ombudsman in divisions other than CFSD.

Montana Adult and Child Welfare Information System (MACWIS)

The legislature provided a \$350,000 one-time-only biennial appropriation to bring the MACWIS project closer to the original legislative intent. The funding source is one-time Montana Chemical Dependency Center (MCDC) cost recovery funds that had built up.

MACWIS was initially funded in HB 4 with Long Range Information Technology (LRIT) funding during the 2007 May Special Session, but became part of the Governor's 17-7-140 reductions in the 2011 session. The project replaces the Child and Adult Protective Services System (CAPS) used in the monitoring of foster care cases, adoption cases, payment for service to providers, and reporting. The original budget was \$27.1 million with \$15.2 million in LRIT funds and

\$11.9 million in federal funds. Prior to placing the project on hold and reverting \$10.3 million to the general fund in the 17-7-140 reductions, the Governor transferred \$3.4 million LRIT funds to the MMIS (\$2.9 million) and CHIMES TANF / SNAP (\$0.5 million) projects.

The 2015 biennium appropriation was assigned to the DPHHS Technology Services Division (TSD) and does not impact the CFSD budget. It does allow TSD staff and CFSD staff to work together throughout the biennium on the MACWIS definition and validation planning process.

The legislature included language: "The Department of Public Health and Human Services must use the biennial appropriation of \$350,000 in fiscal year 2014 and fiscal year 2015 in the Technology Services Division to complete the planning process for the Montana adult and child welfare information system (MACWIS) including a complete plan for funding the development of the MACWIS system for presentation to the 2015 Legislature."

Child and Family Ombudsman

The legislature also created an office of the child and family ombudsman as an independent, impartial, and confidential entity to protect the interests and rights of the state's children and families. It is to be located within the Department of Justice (DOJ) but work collaboratively with CFSD. The office was created in HB 76 and was funded in HB 2 with \$125,000 general fund each year of the biennium.

There is additional information for the two projects in the Fiscal Report for TSD in Section B and in the DOJ write up for the Legal Services Division in Section D.

Additional Legislation

The legislature addressed child abuse through additional legislation. It passed several bills related to disclosure of information to persons submitting reports of alleged abuse of neglect, providing for criminal background checks of residents where an emergency placement could be made, and increasing penalties for assault on a minor under 36 months of age and requiring counseling and treatment. The full list of legislation can be seen in the agency overview.

Funding

The following table shows the program funding, by source for the base year and for the 2015 biennium as adopted by the legislature.

Total Economic Security Services Branch Funding by Source of Authority 2015 Biennium Budget - Child & Family Services						
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference
General Fund	\$70,879,609	\$0	\$0	\$70,879,609	53.1%	
State Special Total	\$4,374,300	\$0	\$182,462	\$4,556,762	3.4%	
02089 Child Abuse & Neglect Program	300,194	-	-	300,194	0.2%	
02209 Third Party Contributions-f.c.	3,860,262	-	-	3,860,262	2.9%	
02473 Assault Intervention & Trtmnt	196,444	-	-	196,444	0.1%	
02483 Adoption Services / Sa	-	-	182,462	182,462	0.1%	402-2-105
02496 Family Preservation Conference	17,400	-	-	17,400	0.0%	Direct
Federal Special Total	\$58,125,111	\$0	\$0	\$58,125,111	43.5%	
03109 Tanf Benefits	5,108,526	-	-	5,108,526	3.8%	
03224 Access & Visitation Grt 93.597	196,490	-	-	196,490	0.1%	
03458 6901 - Chafee - Etv 93.599	338,198	-	-	338,198	0.3%	
03522 93.556 - Family Preservation	1,898,967	-	-	1,898,967	1.4%	
03526 93.643 - Child Justice	197,230	-	-	197,230	0.1%	
03529 Iv-e Guardianship	833,360	-	-	833,360	0.6%	
03530 6901-foster Care 93.658	15,221,966	-	-	15,221,966	11.4%	
03531 6901-subsidized Adopt 93.659	15,582,036	-	-	15,582,036	11.7%	
03532 93.669 - Child Abuse	329,234	-	-	329,234	0.2%	
03533 93.671 - Domestic Violence	1,695,410	-	-	1,695,410	1.3%	
03534 93.672 - Child Abuse Challenge	336,470	-	-	336,470	0.3%	
03536 93.674 - Iv-e Independent Livi	901,025	-	-	901,025	0.7%	
03593 03 Indirect Activity Prog 03	15,486,199	-	-	15,486,199	11.6%	
Total All Funds	\$133,379,020	\$0	\$182,462	\$133,561,482	100.0%	
Percent - Total All Sources	99.9%	0.0%	0.1%			

The division is funded from a variety of sources and funding and federal matching rates vary by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers such factors as the results of a random moment in time study of social worker time spent on various activities.

General fund comprises 53.1% of the budget, with most used as matching funds to draw federal funds supporting benefits, grants, and functions serving foster care, subsidized adoptions, and family reunifications as well as safe, non-violent environments for children. The only major activity of the division that is supported entirely by general fund is the centralized intake function at about \$2.1 million over the biennium for 18.00 FTE. Over \$26.1 million over the biennium supports the five regional offices across the state with 305.80 FTE, and about \$5.2 million over the biennium supports the 45.35 FTE and operating costs of central administration.

The majority of federal funds support foster care, adoption, and guardianship subsidies and expenses associated with the cost allocation plan mentioned above.

State special revenue primarily supports the cost of foster care from a wide variety of third party contributions such as parental payments, collections from child support enforcement for children in foster care, and supplemental security income (SSI) for eligible children. It represents 3.4% of the budget.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	31,865,778	31,865,778	63,731,556	89.92%	61,165,136	61,165,136	122,330,272	91.72%
Statewide PL Adjustments	844,247	988,102	1,832,349	2.59%	1,039,195	1,071,321	2,110,516	1.58%
Other PL Adjustments	1,786,499	2,490,561	4,277,060	6.03%	2,720,032	3,724,588	6,444,620	4.83%
New Proposals	411,422	627,222	1,038,644	1.47%	1,088,337	1,405,275	2,493,612	1.87%
Total Budget	\$34,907,946	\$35,971,663	\$70,879,609		\$66,012,700	\$67,366,320	\$133,379,020	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,878,074					1,902,526	
Vacancy Savings				(819,371)					(820,324)	
Inflation/Deflation				(19,508)					(10,881)	
Total Statewide Present Law Adjustments										
	\$844,247	\$0	\$194,948	\$1,039,195		\$988,102	\$0	\$83,219	\$1,071,321	
DP 50 - Initial Motion to FY 2012 Base	0.00 (844,247)	0	(194,948)	(1,039,195)	0.00	(988,102)	0	(83,219)	(1,071,321)	
DP 51 - Adjustment for Statewide Personal Services	0.00 680,038	742	377,923	1,058,703	0.00	695,720	750	385,732	1,082,202	
DP 52 - Adjustment for Statewide Operations	0.00 (12,430)	(1)	(7,077)	(19,508)	0.00	(6,927)	(1)	(3,953)	(10,881)	
DP 53 - Base Funding Switch	0.00 176,639	(741)	(175,898)	0	0.00	299,309	(749)	(298,560)	0	
DP 30200 - Guardianship Caseload (Restricted/OTO)	0.00 88,591	0	56,258	144,849	0.00	128,999	0	79,453	208,452	
DP 30201 - Subsidized Adoption Caseload	0.00 500,124	0	575,599	1,075,723	0.00	766,423	0	877,072	1,643,495	
DP 30202 - Foster Care Caseload (Restricted)	0.00 729,288	0	176,017	905,305	0.00	1,088,638	0	143,751	1,232,389	
DP 30300 - Required Overtime / Holiday / Differential Pay	0.00 329,713	0	153,884	483,597	0.00	329,713	0	153,884	483,597	
DP 30400 - Guardianship FMAP Adjustment	0.00 15,612	0	(15,612)	0	0.00	15,873	0	(15,873)	0	
DP 30401 - Subsidized Adoption FMAP Adjustment	0.00 52,962	0	(52,962)	0	0.00	58,258	0	(58,258)	0	
DP 30402 - Foster Care FMAP Adjustment	0.00 (1,762)	0	1,762	0	0.00	126	0	(126)	0	
DP 30500 - Private Lease Adjustment	0.00 29,347	0	14,921	44,268	0.00	59,907	0	30,458	90,365	
DP 30803 - Leased Vehicles	0.00 42,624	0	23,666	66,290	0.00	42,624	0	23,666	66,290	
Total Other Present Law Adjustments										
	0.00 \$1,786,499	\$0	\$933,533	\$2,720,032	0.00	\$2,490,561	\$0	\$1,234,027	\$3,724,588	
Grand Total All Present Law Adjustments										
	0.00 \$2,630,746	\$0	\$1,128,481	\$3,759,227	0.00	\$3,478,663	\$0	\$1,317,246	\$4,795,909	

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment funds the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - The legislature approved the funding switch to base operations.

DP 30200 - Guardianship Caseload (Restricted/OTO) - The legislature approved restricted, OTO funding to cover projected increases in the number of finalized guardianships and the average cost per day.

DP 30201 - Subsidized Adoption Caseload - The legislature provided funding to cover the projected increases in the number of finalized adoptions and the average cost per day in the Subsidized Adoption Program.

DP 30202 - Foster Care Caseload (Restricted) - The legislature approved restricted funding for the projected increases in the foster care caseload and developed the following language. "Funding for Foster Case Caseload may be expended only by the Child and Family Services Division for projected increases in caseload."

DP 30300 - Required Overtime / Holiday / Differential Pay - The legislature restored funding for overtime, holidays worked, differential pay, and the corresponding benefits.

DP 30400 - Guardianship FMAP Adjustment - The Legislature approved an increase general fund of \$31,485 for the biennium with a corresponding decrease in federal funds.

DP 30401 - Subsidized Adoption FMAP Adjustment - The legislature supported a funding increase in general fund of \$111,220 for the biennium with a corresponding decrease in federal funds.

DP 30402 - Foster Care FMAP Adjustment - The legislature approved funding decreases to the general fund of \$1,636 in FY 2014 with a corresponding increase in federal funds. There is an increase of \$126 general fund in FY 2015 with a corresponding decrease in federal funds.

DP 30500 - Private Lease Adjustment - The legislature approved \$134,633 in total funds for the 2015 biennium to pay the cost associated with lease adjustments in non-state owned buildings throughout the state.

DP 30803 - Leased Vehicles - The legislature approved funds to allow CFSD to replace aged, high-mileage vehicles currently owned by the division with leased vehicles available through the State Motor Pool.

New Proposals

Fiscal 2014						Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 30805 - Tribal Foster Care (Restricted / OTO)										
03	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 30901 - PRI - Foster Care										
03	0.00	153,014	0	69,218	222,232	0.00	309,193	0	139,716	448,909
DP 30902 - PRI - Subsidized Adoption										
03	0.00	23,746	0	28,261	52,007	0.00	48,009	0	57,045	105,054
DP 30903 - PRI - Subsidized Guardianship										
03	0.00	2,686	0	1,823	4,509	0.00	5,429	0	3,679	9,108
DP 30904 - PRI - In Home Services										
03	0.00	31,976	0	0	31,976	0.00	64,591	0	0	64,591
DP 30910 - Foster Care Stipend (Restricted / Biennial / OTO)										
03	0.00	0	0	577,613	577,613	0.00	0	0	577,613	577,613
Total	0.00	\$411,422	\$0	\$676,915	\$1,088,337	0.00	\$627,222	\$0	\$778,053	\$1,405,275

DP 30805 - Tribal Foster Care (Restricted / OTO) - The legislature approved a restricted, one-time-only appropriation of \$200,000 in general fund for each year of the biennium. Funding is restricted for use by the Child and Family Services Division on non-Title IV-E billable services for Tribal children living on the reservation.

DP 30901 - PRI - Foster Care - The legislature approved funding for a 2% provider rate increase in each year of the biennium for Foster Care services. The legislature directed DPHHS to raise provider rates by 2% each year of the 2015 biennium. Language compelling the department to use the funds for this purpose was contained in HB 625, which has been vetoed by the Governor. As of this writing a veto override poll has been sent to legislators.

The table in the agency write-up shows the funding per program. Calculations account for the caseload increase. All rate increases are considered part of the benefit structure and would be distributed through the social assistance account.

DP 30902 - PRI - Subsidized Adoption - The legislature funded a 2% provider rate increase in each year of the biennium for Subsidized Adoption services and added compelling language in HB 625 as discussed earlier.

DP 30903 - PRI - Subsidized Guardianship - The legislature funded a 2% provider rate increase in each year of the biennium for Subsidized Guardianship services and added compelling language in HB 625 as discussed earlier.

DP 30904 - PRI - In Home Services - The legislature approved general fund for a 2% provider rate increase in each year of the biennium for In-Home Services and added compelling language in HB 625 as discussed earlier.

DP 30910 - Foster Care Stipend (Restricted / Biennial / OTO) - The legislature approved a restricted, biennial, one-time-only (OTO) appropriation of \$577,613 federal TANF funds each year of the biennium for a \$0.75 per day stipend for regular foster care and regular kinship care families in addition to the daily foster care maintenance payment. This funding is the continuation of the OTO stipend that was implemented by the 2011 Legislature. The Child and Family Services Division may adjust the stipend amount to reflect the appropriation and the actual number of children placed in regular family foster care and regular kinship foster care.

Language and Statutory Authority

The legislature included the following language in HB 2:

“The department of public health and human services must use \$310,724 in fiscal year 2014 and \$627,662 in fiscal year 2015 of funds in the Child and Family Services Division to raise provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.”

“Funding for Foster Case Caseload may be expended only by the Child and Family Services Division for projected increases in caseload.”

“Funding for Tribal Foster Care may be used only by the Child and Family Services Division for non-Title IV-E billable services provided to Tribal children living on the reservation.”

“Funding for Foster Care Stipend may be used only by the Child and Family Services Division to pay stipends to families who provide regular foster care in a youth foster home and kinship families who provide regular foster care in a kinship foster home of an estimated 75 cents per day in addition to the daily foster care maintenance payment. The Child and Family Services Division may adjust the stipend amount to reflect the funding of \$577,613 each year of the biennium with the actual number of children placed in regular family foster care and kinship foster care.”

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	163.75	163.75	163.75	163.75	163.75	163.75	0.00	0.00%
Personal Services	8,591,298	8,896,798	9,500,208	9,521,307	17,488,096	19,021,515	1,533,419	8.77%
Operating Expenses	1,969,176	1,839,211	2,000,757	2,021,785	3,808,387	4,022,542	214,155	5.62%
Equipment & Intangible Assets	22,694	0	22,694	22,694	22,694	45,388	22,694	100.00%
Debt Service	0	59,014	0	0	59,014	0	(59,014)	(100.00%)
Total Costs	\$10,583,168	\$10,795,023	\$11,523,659	\$11,565,786	\$21,378,191	\$23,089,445	\$1,711,254	8.00%
General Fund	2,599,009	4,085,189	2,846,378	2,853,471	6,684,198	5,699,849	(984,349)	(14.73%)
State Special	745,938	1,613,380	818,346	825,577	2,359,318	1,643,923	(715,395)	(30.32%)
Federal Special	7,238,221	5,096,454	7,858,935	7,886,738	12,334,675	15,745,673	3,410,998	27.65%
Total Funds	\$10,583,168	\$10,795,023	\$11,523,659	\$11,565,786	\$21,378,191	\$23,089,445	\$1,711,254	8.00%

Program Description

The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance and those not on assistance. Services are available to any applicant regardless of income level.

Program Highlights

Child Support Enforcement Division	
Major Budget Highlights	
◆	The legislature approved a budget for the 2015 biennium that is a \$1.7 million total fund increase over the 2013 biennium due to statewide and present law adjustments that primarily include:
•	About \$2.6 million for personal services increases that are offset by vacancy savings reductions of about \$0.8 million
•	Adjustments of about \$84,000 for inflation and a private lease increase

Program Narrative

The legislature approved a \$23.0 million total fund budget for the 2015 biennium. Concurrent with the duties of CSED, the majority of the funding, about \$19.0 million total funds, supports personal services. Funding for staff is about 82.0% of the total 2015 biennial appropriation while funding for operating costs is about 17.0%.

Funding Changes

As shown in the biennium change columns of the introductory budget comparison table, there are reductions in general fund and state special revenue and an increase in federal special funds. This is due to a legislative audit finding, and a change at the federal level.

Staffing and Operations Budget

Federal regulation mandates a child support enforcement program in all states under Title IV-D of the Social Security Act in order for states to maintain state eligibility for the federal Temporary Assistance for Needy Families (TANF)

block grant. As a condition of the TANF block grant, collection of child support owed to the family is automatically assigned to the state and is used to reimburse federal and state governments for welfare benefits paid to the family. However, services must be available to anyone who applies, regardless of the family income and resource level. Individuals who receive public assistance under TANF, Medicaid, and the Foster Care Program are automatically referred to CSED.

The legislative budget supports \$19.0 million over the biennium in personal services for 163.75 FTE. The majority of personal services funding, about \$13.0 million, supports the five regional offices and 116.00 FTE throughout the state.

Operating costs for the biennium account for about \$4.0 million of the total division budget, about \$2.6 million of which is also associated with the regional offices. The balance of the personnel and operating costs go for division administration and fiscal functions, attorneys, and legal functions.

In FY 2012, CSED collected about \$70.3 million on behalf of both TANF and non TANF children and their custodial parents or nearly \$5.9 million per month. Non-TANF collections were over \$65.0 million and TANF only collections came to about \$5.2 million. The CSED share of the TANF collections for FY 2012 was about \$1.6 million.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Economic Security Services Branch Funding by Source of Authority 2015 Biennium Budget - Child Support Enforcement							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,699,849	\$0	\$0	\$5,699,849	24.7%		
State Special Total	\$1,643,923	\$0	\$0	\$1,643,923	7.1%		
02187 Child Support State Share	\$1,643,923	\$0	\$0	\$1,643,923	7.1%		
Federal Special Total	\$15,745,673	\$0	\$0	\$15,745,673	68.2%		
03269 Child Support Incentive	\$2,341,279	\$0	\$0	\$2,341,279	10.1%		
03570 93.563 - Child Support Ivd 66%	\$13,404,394	\$0	\$0	\$13,404,394	58.1%		
Total All Funds	\$23,089,445	\$0	\$0	\$23,089,445	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

Child support activities are funded with a combination of about 25% general fund, 7% state special revenue, and 68% federal funds. The federal Title IV-D eligible expenditures are funded 66% with federal IV-D funds and the remaining expenditures are funded at 34% by a combination of general fund, state special revenue and the federal incentive payments.

State special revenue is generated primarily from the retention of collections made on behalf of TANF. The funds recovered on behalf of TANF recipients are retained by the state at the state share of the federal FMAP rate (about 33.7% in FY 2014). There is no retained revenue from non-TANF collections, which is simply collected and sent on to the custodial parent.

Federal revenue reflects the 66% federal match for eligible CFSD expenditures and the incentive funds that are received for meeting or exceeding the federal incentive performance measures and related benchmarks.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,599,009	2,599,009	5,198,018	91.20%	10,583,168	10,583,168	21,166,336	91.67%
Statewide PL Adjustments	247,369	254,462	501,831	8.80%	915,728	942,555	1,858,283	8.05%
Other PL Adjustments	(12,645)	(13,540)	(26,185)	(0.46%)	24,763	40,063	64,826	0.28%
New Proposals	12,645	13,540	26,185	0.46%	0	0	0	0.00%
Total Budget	\$2,846,378	\$2,853,471	\$5,699,849		\$11,523,659	\$11,565,786	\$23,089,445	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
Fiscal 2014					Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,304,737					1,326,731
Vacancy Savings				(395,827)					(396,722)
Inflation/Deflation				6,818					12,546
Total Statewide Present Law Adjustments									
	\$247,369	\$63,988	\$604,371	\$915,728		\$254,462	\$66,018	\$622,075	\$942,555
DP 50 - Initial Motion to FY 2012 Base									
0.00	(247,369)	(63,988)	(604,371)	(915,728)	0.00	(254,462)	(66,018)	(622,075)	(942,555)
DP 51 - Adjustment for Statewide Personal Services									
0.00	233,233	56,540	619,137	908,910	0.00	238,169	57,872	633,968	930,009
DP 52 - Adjustment for Statewide Operations									
0.00	1,491	553	4,774	6,818	0.00	2,753	1,016	8,777	12,546
DP 53 - Base Funding Switch									
0.00	12,645	6,895	(19,540)	0	0.00	13,540	7,130	(20,670)	0
DP 50001 - Private Lease Adjustment									
0.00	0	8,420	16,343	24,763	0.00	0	13,621	26,442	40,063
Total Other Present Law Adjustments									
0.00	\$0	\$8,420	\$16,343	\$24,763	0.00	\$0	\$13,621	\$26,442	\$40,063
Grand Total All Present Law Adjustments									
0.00	\$247,369	\$72,408	\$620,714	\$940,491	0.00	\$254,462	\$79,639	\$648,517	\$982,618

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment funds the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 50001 - Private Lease Adjustment - The legislature approved funds for the 2015 biennium to pay the cost associated with lease adjustments in non-state owned buildings throughout the state.

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	39.25	39.25	39.25	39.25	39.25	39.25	0.00	0.00%
Personal Services	4,391,739	2,939,068	3,006,721	3,008,527	7,330,807	6,015,248	(1,315,559)	(17.95%)
Operating Expenses	825,838	901,304	769,005	766,251	1,727,142	1,535,256	(191,886)	(11.11%)
Total Costs	\$5,217,577	\$3,840,372	\$3,775,726	\$3,774,778	\$9,057,949	\$7,550,504	(\$1,507,445)	(16.64%)
General Fund	2,390,998	1,650,334	1,648,159	1,647,626	4,041,332	3,295,785	(745,547)	(18.45%)
State Special	555,031	376,426	406,138	406,095	931,457	812,233	(119,224)	(12.80%)
Federal Special	2,271,548	1,813,612	1,721,429	1,721,057	4,085,160	3,442,486	(642,674)	(15.73%)
Total Funds	\$5,217,577	\$3,840,372	\$3,775,726	\$3,774,778	\$9,057,949	\$7,550,504	(\$1,507,445)	(16.64%)

Agency Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are legal affairs, personnel services, public information, the prevention resource center and AmeriCorps*VISTA Program. The Montana Health Coalition is administratively attached. The director serves on many councils, including the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Agency Highlights

Director's Office Major Budget Highlights	
♦	The Director's Office overall budget decreased by \$1.5 million when compared to the previous biennium due primarily to: <ul style="list-style-type: none"> ▪ Termination expense of \$1.2 million, as the Director's Office pays the termination cost for all the divisions within the Department of Public Health and Human Services • The creation of the Independent Office of Child and Family Ombudsman within the department of Justice in HB 76. To fund this office \$250,000 general fund was transferred from the Director's office to the Department of Justice

Summary of Legislative Action

HB 76 creates an Independent Office of Child and Family Ombudsman within the Department of Justice and directs a transfer of \$250,000 general fund from the Directors Office to the Department of Justice to fund the ombudsman.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	39.25	39.25	39.25	0.00	39.25	39.25	0.00	
Personal Services	4,391,739	3,006,721	3,006,721	0	3,008,527	3,008,527	0	0
Operating Expenses	825,838	894,005	769,005	(125,000)	891,251	766,251	(125,000)	(250,000)
Total Costs	\$5,217,577	\$3,900,726	\$3,775,726	(\$125,000)	\$3,899,778	\$3,774,778	(\$125,000)	(\$250,000)
General Fund	2,390,998	1,773,159	1,648,159	(125,000)	1,772,626	1,647,626	(125,000)	(250,000)
State/Other Special	555,031	406,138	406,138	0	406,095	406,095	0	0
Federal Special	2,271,548	1,721,429	1,721,429	0	1,721,057	1,721,057	0	0
Total Funds	\$5,217,577	\$3,900,726	\$3,775,726	(\$125,000)	\$3,899,778	\$3,774,778	(\$125,000)	(\$250,000)

HB 76 reduced the executive request by \$125,000 in each year of the biennium to fund an Independent Office of the Child and Family Ombudsman within the Department of Justice.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Director's Office Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$3,295,785	\$0	\$0	\$3,295,785	43.6%
State Special Total	812,233	-	-	812,233	10.8%
Federal Special Total	3,442,486	-	-	3,442,486	45.6%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$7,550,504	\$0	\$0	\$7,550,504	
Percent - Total All Sources	100.0%	0.0%	0.0%		

With the exception of the Prevention Resource Center (PRC), the functions within the Director's Office are cost allocated through indirect cost recoveries to the other divisions within DPHHS.

The Director's Office is funded through a combination of general fund, and state and federal special revenues. All three funds decrease as compared to the previous biennium due to adjustments for termination costs and legislation creating a new Independent Office of the Child and Family Ombudsman.

Two state special revenue funds support the Director's Office:

- Cost allocation, budgeted at \$589,356
- Community costs shares for the VISTA Volunteers, budgeted at \$222,877

Two federal special revenue funds support the Director's Office:

- Cost allocation, budgeted at \$2,911,534
- Funds for VISTA Volunteers, budgeted at \$530,952

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,390,998	2,390,998	4,781,996	145.09%	5,217,577	5,217,577	10,435,154	138.20%
Statewide PL Adjustments	(617,839)	(618,372)	(1,236,211)	(37.51%)	(1,316,851)	(1,317,799)	(2,634,650)	(34.89%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(125,000)	(125,000)	(250,000)	(7.59%)	(125,000)	(125,000)	(250,000)	(3.31%)
Total Budget	\$1,648,159	\$1,647,626	\$3,295,785		\$3,775,726	\$3,774,778	\$7,550,504	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(1,259,738)					(1,257,859)
Vacancy Savings					(125,280)					(125,353)
Inflation/Deflation					(215)					(132)
Fixed Costs					68,382					65,545
Total Statewide Present Law Adjustments										
		(\$617,839)	(\$148,893)	(\$550,119)	(\$1,316,851)		(\$618,372)	(\$148,936)	(\$550,491)	(\$1,317,799)
DP 50 - Initial Motion to FY 2012 Base	0.00	617,839	148,896	550,116	1,316,851	0.00	618,372	148,936	550,491	1,317,799
DP 51 - Adjustment for Statewide Personal Services	0.00	(650,547)	(155,716)	(578,755)	(1,385,018)	0.00	(649,760)	(155,514)	(577,938)	(1,383,212)
DP 52 - Adjustment for Statewide Operations	0.00	32,746	6,821	28,600	68,167	0.00	31,426	6,576	27,411	65,413
DP 53 - Base Funding Switch	0.00	(38)	(1)	39	0	0.00	(38)	2	36	0
Total Other Present Law Adjustments										
	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments										
	0.00	(\$617,839)	(\$148,893)	(\$550,119)	(\$1,316,851)	0.00	(\$618,372)	(\$148,936)	(\$550,491)	(\$1,317,799)

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

New Proposals

New Proposals		Fiscal 2014				Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100 - Office of Ombudsman										
04	0.00	(125,000)	0	0	(125,000)	0.00	(125,000)	0	0	(125,000)
Total	0.00	(\$125,000)	\$0	\$0	(\$125,000)	0.00	(\$125,000)	\$0	\$0	(\$125,000)

DP 100 - Office of Ombudsman - The legislature passed and the governor signed HB76 which establishes an independent Office of the Child and Family Ombudsman within the Department of Justice. \$250,000 general fund is transferred to the department of justice to fund the new office.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	70.00	70.00	70.00	70.00	70.00	70.00	0.00	0.00%
Personal Services	3,337,291	3,838,919	3,150,255	3,158,038	7,176,210	6,308,293	(867,917)	(12.09%)
Operating Expenses	4,890,933	5,611,675	5,624,082	5,167,436	10,502,608	10,791,518	288,910	2.75%
Equipment & Intangible Assets	0	9,653	0	0	9,653	0	(9,653)	(100.00%)
Debt Service	5,676	5,674	5,676	5,676	11,350	11,352	2	0.02%
Total Costs	\$8,233,900	\$9,465,921	\$8,780,013	\$8,331,150	\$17,699,821	\$17,111,163	(\$588,658)	(3.33%)
General Fund	3,130,930	3,710,823	3,343,898	3,163,484	6,841,753	6,507,382	(334,371)	(4.89%)
State Special	644,152	691,070	618,544	597,982	1,335,222	1,216,526	(118,696)	(8.89%)
Federal Special	4,458,818	5,064,028	4,817,571	4,569,684	9,522,846	9,387,255	(135,591)	(1.42%)
Total Funds	\$8,233,900	\$9,465,921	\$8,780,013	\$8,331,150	\$17,699,821	\$17,111,163	(\$588,658)	(3.33%)

Program Description

The Business and Financial Services Division (BFSD) provides leadership and guidance in the development and implementation of accounting policies and procedures and best business practices that support the mission of the Operations Branch.

Support services include financial and accounting oversight, cash management, preparation and filing of federal financial reports, purchasing supplies and equipment, payroll processing, accounts payable, facility reimbursement, audit coordination, lease management, mail handling, property management, and records management.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2.

Program Highlights

Business and Financial Services Division	
Major Budget Highlights	
♦	The legislature approved a budget for the 2015 biennium that is less than the 2013 biennium budget by nearly \$0.6 million total funds due to: <ul style="list-style-type: none"> ▪ Statewide and present law adjustments • Legislative budget reductions for an additional 2.0% vacancy savings and expenses for the statewide accounting system (SABHRS)

Program Narrative

The legislature provided a 2015 biennium budget for BFSD that is about 3.0% lower than the 2013 biennium budget due to increases in statewide present law adjustments that are more than offset by legislative action.

The statewide present law budget contains:

- An increase in personal services over the biennium of just over \$1.2 million total funds that is offset by a reduction of about \$320,000 total funds in vacancy savings
- Increases of over \$1.0 million total funds in operations covering a wide spectrum of fixed costs and inflation/deflation adjustments because the BFSD budget supports services it performs on behalf of the entire

department, including the required legislative audit. The audit for the 2015 biennium is a \$363,298 restricted, biennial appropriation assessed in the base year and expended over the biennium.

Legislative reductions to the budget include about:

- \$1.3 million total funds each year of the biennium for an additional 2.0% in vacancy savings. The entire 2% reduction for the agency was applied to this division, with language allowing the agency to reallocate the reduction across divisions
- \$30,000 total funds to reduce costs for the statewide accounting system over the biennium.

Funding

The following table shows the program funding by source for the base year and for the 2015 biennium as adopted by the legislature.

2015 Biennium Budget - Business & Financial Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$6,507,382	\$0	\$0	\$6,507,382	38.0%		
State Special Total	\$1,216,526	\$0	\$0	\$1,216,526	7.1%		
02382 6901-02 Indrct Activity Prog 06	\$1,216,526	\$0	\$0	\$1,216,526	7.1%		
Federal Special Total	\$9,387,255	\$0	\$0	\$9,387,255	54.9%		
03591 6901-03 Indrct Activity Prog 06	\$9,387,255	\$0	\$0	\$9,387,255	54.9%		
Total All Funds	\$17,111,163	\$0	\$0	\$17,111,163	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

As shown in the table, the legislature approved a budget that is about 38.0 % general fund, 7.0% state special revenue, and 55.0% federal funds.

The program receives funding through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefitting or serving other programs in the department.

The general fund contains cost allocated increases that are primarily due to the changes in the fixed costs and the agency-wide audit, and is the primary support for the Facility Reimbursements Unit at \$1.2 million over the biennium. Facility reimbursement staff collects private funds, insurance, Medicaid, and Medicare funds that reimburse the general fund. Collections in FY 2012 were over \$14.6 million.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,130,930	3,130,930	6,261,860	96.23%	8,233,900	8,233,900	16,467,800	96.24%
Statewide PL Adjustments	453,771	273,106	726,877	11.17%	1,217,485	768,939	1,986,424	11.61%
Other PL Adjustments	(4,718)	(4,678)	(9,396)	(0.14%)	(14,336)	(14,214)	(28,550)	(0.17%)
New Proposals	(236,085)	(235,874)	(471,959)	(7.25%)	(657,036)	(657,475)	(1,314,511)	(7.68%)
Total Budget	\$3,343,898	\$3,163,484	\$6,507,382		\$8,780,013	\$8,331,150	\$17,111,163	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				628,642						637,202
Vacancy Savings				(158,640)						(158,980)
Inflation/Deflation				21,455						37,754
Fixed Costs				726,028						252,963
Total Statewide Present Law Adjustments	\$453,771	\$71,524	\$692,190	\$1,217,485		\$273,106	\$52,601	\$443,232	\$768,939	
DP 50 - Initial Motion to FY 2012 Base	0.00	(453,771)	(71,524)	(692,190)	(1,217,485)	0.00	(273,106)	(52,601)	(443,232)	(768,939)
DP 51 - Adjustment for Statewide Personal Services	0.00	182,356	29,019	258,627	470,002	0.00	185,954	29,518	262,750	478,222
DP 52 - Adjustment for Statewide Operations	0.00	266,697	40,608	425,842	733,147	0.00	82,474	21,202	172,827	276,503
Total Other Present Law Adjustments	0.00	(\$4,718)	(\$1,897)	(\$7,721)	(\$14,336)	0.00	(\$4,678)	(\$1,881)	(\$7,655)	(\$14,214)
Grand Total All Present Law Adjustments	0.00	\$449,053	\$69,627	\$684,469	\$1,203,149	0.00	\$268,428	\$50,720	\$435,577	\$754,725

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - The legislature approved funding for statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - The legislature approved the fixed cost and inflation/deflation rates as approved by the General Government subcommittee and reduced the costs for the statewide accounting system (SABHRS) by \$14,336 in FY 2014 and \$14,215 in FY 2015. The reduction is included in the BFSB budget and language is included in HB 2 allowing the division to allocate the reduction among other divisions.

New Proposals

New Proposals										
Fiscal 2014					Fiscal 2015					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
06	0.00	(236,085)	(95,235)	(325,716)	(657,036)	0.00	(235,874)	(96,890)	(324,711)	(657,475)
Total	0.00	(\$236,085)	(\$95,235)	(\$325,716)	(\$657,036)	0.00	(\$235,874)	(\$96,890)	(\$324,711)	(\$657,475)

DP 54 - Additional Vacancy Savings - The legislature applied and additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

Language and Statutory Authority

The legislature included the following language in HB 2:

"The Business and Financial Services Division includes a reduction in funding of \$4,718 general fund, \$1,897 state special revenue, and \$7,721 federal special revenue in fiscal 2014 and \$4,678 general fund, \$1,881 state special revenue, and \$7,656 federal special revenue in fiscal 2015. The agency may allocate this reduction in funding among divisions when developing 2015 biennium operating plans."

"Business and Financial Services Division includes a reduction in general fund of \$236,085 in fiscal year 2014 and \$235,874 in fiscal year 2015, state special revenue of \$95,235 in fiscal year 2014 and \$96,890 in fiscal year 2015, and federal special revenue of \$325,716 in fiscal year 2014 and \$324,711 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	115.73	115.73	115.73	115.73	115.73	115.73	0.00	0.00%
Personal Services	6,115,754	6,674,730	6,795,930	6,800,265	12,790,484	13,596,195	805,711	6.30%
Operating Expenses	1,628,479	1,641,313	1,691,862	1,694,581	3,269,792	3,386,443	116,651	3.57%
Equipment & Intangible Assets	525	0	525	525	525	1,050	525	100.00%
Grants	584,941	554,578	584,941	584,941	1,139,519	1,169,882	30,363	2.66%
Transfers	32,695	0	0	0	32,695	0	(32,695)	(100.00%)
Total Costs	\$8,362,394	\$8,870,621	\$9,073,258	\$9,080,312	\$17,233,015	\$18,153,570	\$920,555	5.34%
General Fund	2,313,244	2,332,972	2,551,731	2,554,836	4,646,216	5,106,567	460,351	9.91%
State Special	517,547	735,257	552,404	553,881	1,252,804	1,106,285	(146,519)	(11.70%)
Federal Special	5,531,603	5,802,392	5,969,123	5,971,595	11,333,995	11,940,718	606,723	5.35%
Total Funds	\$8,362,394	\$8,870,621	\$9,073,258	\$9,080,312	\$17,233,015	\$18,153,570	\$920,555	5.34%

Program Description

The role of the Quality Assurance Division (QAD) is to protect the safety and well-being of Montanans by monitoring and ensuring the integrity and cost-effectiveness of department programs. The division primarily fulfills its role by:

- Licensing, registering, and certifying health care, day care, and residential services
- Detecting and investigating abusive or fraudulent practices within the Medicaid and Supplemental Nutrition Assistance Program (SNAP, previously food stamps) and initiating recovery efforts
- Identifying other insurers or parties responsible for paying a beneficiary's medical expenses
- Providing internal and independent audits for DPHHS programs
- Providing informal dispute resolution conferences for nursing facilities that dispute deficiency citations
- Monitoring and evaluating health maintenance organizations (HMOs) for quality assurance and network adequacy
- Ensuring department compliance with the federal Health Information Portability and Accountability Act
- Operating the medical marijuana registry.

The division has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Hinsdale, Kalispell, Miles City, and Missoula.

Program Highlights

Quality Assurance Division Major Budget Highlights	
◆	The legislature increased the 2015 biennium total funding for the division by just over 5.0% from the 2013 biennium due to: <ul style="list-style-type: none"> • Statewide and present law adjustments of about \$1.5 million total funds primarily for personal services, offset by vacancy savings of \$0.6 million total funds • A \$65,000 reduction for a state special revenue transfer

Program Narrative

The legislature approved a budget of just over \$9.0 million total funds for each year of the biennium comprising:

- 28% general fund

- 6% state special revenue
- 66% federal funds

The appropriation is an increase of about \$1.5 million total funds over the 2013 biennium budget due to:

- Statewide present law adjustments
- Approval of about \$130,000 total funds over the biennium for the federally required Recovery Audit Program that is designed to recover Medicaid funds. The legislature also approved accompanying language allowing the contractor to be paid an amount no greater than 12.5% of the amount collected. There is additional information in the language section at the end of this write-up

The legislature made two reductions to the executive request. The first reduction removed \$32,695 state special revenue from transfers in FY 2014 and FY 2015. The transfer was to the Department of Administration for the Marijuana Registry Program share of costs associated with the purchase of a laminating printer. There is additional discussion in the new proposal section of this write-up.

The second reduction of about \$340,000 over the biennium related to the executive request for 2.00 federally funded FTE for the required survey and certification of health care and nursing facilities in Montana. The legislature did not approve the request to increase federal funding authority for the FTE, directing the department to use existing authority.

Funding

The following table shows program funding, by source for the base year and for the 2015 biennium as adopted by the Legislature.

Total Operations Services Branch Funding by Source of Authority 2015 Biennium Budget - Quality Assurance Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,106,567	\$0	\$0	\$5,106,567	28.1%		
State Special Total	\$1,106,285	\$0	\$0	\$1,106,285	6.1%		
02034 Earmarked Alcohol Funds	\$141,503	\$0	\$0	\$141,503	0.8%		
02380 02 Indirect Activity Prog 08	\$51,963	\$0	\$0	\$51,963	0.3%		
02497 6901-lien & Estate - Sltd	\$132,505	\$0	\$0	\$132,505	0.7%		
02566 Medical Marijuana	\$715,787	\$0	\$0	\$715,787	3.9%		
02585 Recovery Audit Contract	\$64,527	\$0	\$0	\$64,527	0.4%		
Federal Special Total	\$11,940,718	\$0	\$0	\$11,940,718	65.8%		
03096 Discretionary Child Care	\$1,402,681	\$0	\$0	\$1,402,681	7.7%		
03251 Child Care Admin	\$262,236	\$0	\$0	\$262,236	1.4%		
03303 Title 18 Clia	\$290,057	\$0	\$0	\$290,057	1.6%		
03335 Fda Mammography Inspections	\$85,680	\$0	\$0	\$85,680	0.5%		
03359 Recovery Audit Program	\$64,529	\$0	\$0	\$64,529	0.4%		
03530 6901-foster Care 93.658	\$134,149	\$0	\$0	\$134,149	0.7%		
03580 6901-93.778 - Med Adm 50%	\$1,463,596	\$0	\$0	\$1,463,596	8.1%		
03597 03 Indirect Activity Prog 08	\$2,583,861	\$0	\$0	\$2,583,861	14.2%		
03934 Title 19	\$528,305	\$0	\$0	\$528,305	2.9%		
03935 Title 18	\$3,625,202	\$0	\$0	\$3,625,202	20.0%		
03948 T-19 Obra Nurse Aid	\$215,039	\$0	\$0	\$215,039	1.2%		
03960 Rural Hospital Flexibility Prog	\$1,285,383	\$0	\$0	\$1,285,383	7.1%		
Total All Funds	\$18,153,570	\$0	\$0	\$18,153,570	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Quality Assurance Division is funded primarily with federal funds at just over 66.0%. General fund supports 28.0% of program costs with the remaining 6.0% of budgeted expenditures supported by state special revenues.

General fund supports some administrative functions as well as:

- The state match for eligible costs in Medicaid, Title IV-E (foster care), and federal discretionary child care funds, community residential facilities, and program compliance
- The full cost of radiological equipment testing, certificate of need determinations, and state licensure for assisted living or other facilities that receive no federal support as required in MCA, Title 55, part 5

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, marijuana registry fees, and indirect cost recovery funds:

- Alcohol taxes fund staff and operational costs for chemical dependency program licensure
- Lien and estate funds support services to pursue recoveries for the costs of Medicaid, mainly for nursing home services
- Marijuana registry fees cover the cost of administering the registry
- Recovery Audit Contract funds support the audit process addressing fraud, waste or abuse in Medicaid

There are 12 separate federal funding sources in the Quality Assurance Division budget. Some of the federal sources support more than one function. For instance, Medicaid funds support:

- Third party recovery
- The surveillance, utilization, and review unit (SURS)
- The nurse aide registry for nursing homes
- The federal match of the Recovery Audit Program
- The Department of Justice fraud surveillance contract

Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities to provide foster care. Mammography funds pay for contracted inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,313,244	2,313,244	4,626,488	90.60%	8,362,394	8,362,394	16,724,788	92.13%
Statewide PL Adjustments	238,487	241,592	480,079	9.40%	679,291	685,826	1,365,117	7.52%
Other PL Adjustments	0	0	0	0.00%	64,268	64,787	129,055	0.71%
New Proposals	0	0	0	0.00%	(32,695)	(32,695)	(65,390)	(0.36%)
Total Budget	\$2,551,731	\$2,554,836	\$5,106,567		\$9,073,258	\$9,080,312	\$18,153,570	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					963,541					967,723
Vacancy Savings					(283,172)					(283,340)
Inflation/Deflation					(1,856)					796
Fixed Costs					778					647
Total Statewide Present Law Adjustments		\$238,487	\$35,418	\$405,386	\$679,291		\$241,592	\$36,636	\$407,598	\$685,826
DP 50 - Initial Motion to FY 2012 Base	0.00	(238,487)	(35,418)	(405,386)	(679,291)	0.00	(241,592)	(36,636)	(407,598)	(685,826)
DP 51 - Adjustment for Statewide Personal Services	0.00	238,489	34,765	407,115	680,369	0.00	241,065	35,311	408,007	684,383
DP 52 - Adjustment for Statewide Operations	0.00	(2)	653	(1,729)	(1,078)	0.00	527	1,325	(409)	1,443
DP 8002 - Recovery Audit Contractor Program Permanency	0.00	0	32,134	32,134	64,268	0.00	0	32,393	32,394	64,787
Total Other Present Law Adjustments	0.00	\$0	\$32,134	\$32,134	\$64,268	0.00	\$0	\$32,393	\$32,394	\$64,787
Grand Total All Present Law Adjustments	0.00	\$238,487	\$67,552	\$437,520	\$743,559	0.00	\$241,592	\$69,029	\$439,992	\$750,613

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removed statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment funds the fixed cost and inflation/deflation rates as approved by the General Government Subcommittee.

DP 8002 - Recovery Audit Contractor Program Permanency - The legislature approved funding to make the Recovery Audit Program, which was established in the 2011 session via a legislative language appropriation, permanent.

The legislature also approved a language appropriation related to the recovery audit program allowing QAD to pay recovery audit costs. Payments to the contractor are contingent upon the amount of funds recovered. The language appropriation follows the New Proposal Section below.

New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 8004 - Reduce State Special Revenue Transfer										
08	0.00	0	(32,695)	0	(32,695)	0.00	0	(32,695)	0	(32,695)
Total	0.00	\$0	(\$32,695)	\$0	(\$32,695)	0.00	\$0	(\$32,695)	\$0	(\$32,695)

DP 8004 - Reduce State Special Revenue Transfer - The legislature removed \$32,695 state special revenue from the division's appropriated fund transfer in FY 2014 and FY 2015.

Language and Statutory Authority

The legislature included the following language in HB 2:

"The Quality Assurance Division is appropriated funding for the 2015 biennium in an amount not to exceed \$210,208 of the state special revenue fund share and \$396,734 of the federal special revenue share from the recovery audit contract to pay recovery audit costs. Payments to the contractor are contingent upon the amount of funds recovered and may not exceed 12.5% of the amount recovered."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	59.60	59.60	59.60	59.60	59.60	59.60	0.00	0.00%
Personal Services	4,143,213	4,045,149	4,390,796	4,397,018	8,188,362	8,787,814	599,452	7.32%
Operating Expenses	27,925,094	19,090,582	31,394,978	31,046,908	47,015,676	62,441,886	15,426,210	32.81%
Equipment & Intangible Assets	209,206	100,910	209,206	209,206	310,116	418,412	108,296	34.92%
Debt Service	91,266	143,197	91,266	91,266	234,463	182,532	(51,931)	(22.15%)
Total Costs	\$32,368,779	\$23,379,838	\$36,086,246	\$35,744,398	\$55,748,617	\$71,830,644	\$16,082,027	28.85%
General Fund	11,568,480	8,940,538	11,882,682	11,530,971	20,509,018	23,413,653	2,904,635	14.16%
State Special	1,170,417	1,293,420	1,294,955	1,298,197	2,463,837	2,593,152	129,315	5.25%
Federal Special	19,629,882	13,145,880	22,908,609	22,915,230	32,775,762	45,823,839	13,048,077	39.81%
Total Funds	\$32,368,779	\$23,379,838	\$36,086,246	\$35,744,398	\$55,748,617	\$71,830,644	\$16,082,027	28.85%

Program Description

The Technology Services Division (TSD) is comprised of three bureaus that are responsible for the management, implementation and operations of information technology (IT) systems and infrastructure that directly support department programs. IT services include programming, help desk functions, database support, web development, enterprise architecture, project management, IT contract management, data security, computer, and network services.

The systems under TSD oversight are referenced later in this write-up and are also discussed in the agency's Information Technology Plan. The plan can be viewed at:

http://itsd.mt.gov/content/stratplan/agencyplans2012/DPHHS/2012_DPHHS_IT_Plan.pdf

Program Highlights

**Technology Services Division
Major Budget Highlights**

- ◆ The legislature increased total funding for the division by about 29.0% over the 2013 biennium primarily due to:
 - About \$7.0 million total funds (\$0.6 million general fund) for annualization of maintenance and project management costs for eligibility systems
 - \$350,000 total funds to complete the planning process for the Montana Automated Child Welfare Information System (MACWIS)
 - The impact of increases totaling over \$11.0 million total funds (\$3.0 general fund) made during the interim by the Governor

Program Narrative

The primary functions of TSD are to provide support in operational and technological areas and manage the DPHHS information technology (IT) projects. It is the information technology center for the agency with responsibilities and projects linked to both HB 2 and long-range information technology (LRIT) or other legislative action. This responsibility is reflected in the Program Budget Comparison table at the top of the page where the 2015 biennium legislative appropriation is \$62.4 million total funds for operating expenses out of a total appropriation of \$71.8 million total funds.

As shown in the above budget comparison table, the legislative appropriation for the 2015 biennium is about a 29.0% increase over the 2013 biennium with nearly 70.0% of the increase in operating costs and equipment congruent with the division's responsibility. However, the biennium increase of \$15.4 million in operating costs shown in the "Biennium Change" column reflects executive action during the interim as well as legislative funding increases.

Actual increases made by the legislature for the 2015 biennium include:

- \$6.7 million total funds (about \$280,000 general fund) for all present law adjustments. Nearly all of this increase is for the eligibility system serving CHIMES Medicaid, Healthy Montana Kids, and the TEAMS system supporting public assistance programs including SNAP and TANF
- \$350,000 one-time-only funding of state special and federal special revenue to complete the planning process for the MACWIS system

There is additional information in the present law and new proposal section later in this write-up.

While the legislative increases for operations are about \$7.0 million total funds, the balance of the \$15.4 million increase in operating expenses is due to a transfer made during the interim by the Governor with unused funding appropriated by the 2011 Legislature to the Health Resources Division for benefits. This transfer increased the division's FY 2012 base year operating costs by nearly \$11.0 million total funds over the legislative appropriation. However, because budgets are built on the base year expenditures, FY 2013 does not show the same increase. The transfer into the base year is apparent in the program budget comparison table when the operating expenses for FY 2012 and FY 2013 are compared and again when the 2013 biennium amount is compared to the 2015 biennium because the larger base year amount was used to develop the budget for the 2015 biennium.

IT Projects

The legislature also addressed the IT projects that TSD manages, including over \$185.5 million presently included in the HB 2 base. The following table shows the combined total of the HB 2 projects and the potential long-range funding in the 2017 biennium of nearly \$25.0 million for MACWIS at over \$210.4 million total funds. About \$177.0 million of that amount is for contracted services ranging from design, development, and implementation of system builds to general maintenance and operations of ongoing systems. The table shows the projects for the 2015 biennium.

MACWIS

MACWIS was initially funded by the legislature in HB 4 with LRIT funding during the 2007 May Special Session, but became part of the Governor's 17-7-140 reductions in the 2011 session. As noted in the highlight table, the legislature opted to fund the planning process for MACWIS with a \$350,000 one-time-only, biennial appropriation. The goal was to complete the planning process in the 2015 biennium and bring the implementation of the project closer to the original legislative intent for replacement and redesign of the Child and Adult Protective Services System (CAPS). CAPS is used in the monitoring of foster care cases, adoption cases, payment for service to providers, and reporting. The following table shows the remaining total for MACWIS.

CHIMES-EA

The second line on the following table refers to the Combined Healthcare Information and Montana Eligibility System (CHIMES-EA) upgrade and replacement, which went "live" November 1, 2012.

The Legislature received testimony during the session that the system "go live" was not without issues. While it is acknowledged that improvements are being made, as of this writing, reports continue indicating that improvements are needed related to client services, tracking and reporting. Other issues center on staff workload due to high caseloads and the need for training on the system "fixes". The following report was presented to the Joint Appropriations Subcommittee on Health and Human Services during the session.

<http://www.dphhs.mt.gov/CHIMES-EAReportToJointAppropsCommittee.pdf>

Legislative committees will receive updates on this system and the other long-range projects during the interim.

IT Projects in the DPHHS Base Budget for the 2015 Biennium					
IT Projects	General Fund	State Special Revenue	Federal Funds	Total	Amount for Contracted Services
MMIS Replacement *	\$9,321,976	\$0	\$63,392,347	\$72,714,323	\$61,944,043
CHIMES SNAP TANF EA & SFSL *	17,818,259	0	19,009,330	36,827,589	29,689,946
MMIS Fiscal Agency Contract	6,126,314	6,641	12,107,242	18,240,197	18,240,197
CHIMES Medicaid / HMK *	3,839,001	359,919	10,701,442	14,900,362	13,394,880
Affordable Care Act Eligibility System *	851,334	0	7,662,006	8,513,340	8,513,340
EBT Outsourcing	1,564,477	103,117	4,788,694	6,456,288	5,100,000
SEARCHS Maintenance & Operations	1,450,670	435,780	3,661,936	5,548,386	2,971,694
TEAMS Maintenance & Support	1,932,464	99,860	2,712,121	4,744,445	2,211,739
CAPS Maintenance & Operations	2,251,550	0	1,185,471	3,437,021	2,498,695
MT Access EBT	1,448,058	0	1,711,376	3,159,434	3,159,434
VocRehab Case Management System	0	0	2,600,000	2,600,000	0
CUBS Maintenance & Operations	0	0	2,548,010	2,548,010	2,520,196
CDS/HMIS Maintenance & Operations	0	0	2,240,674	2,240,674	2,218,174
Safety Assessment Mgmt System	747,500	0	747,500	1,495,000	1,404,090
Big Sky Rx Facility Maintenance	0	752,868	0	752,868	752,868
IIS Replacement & Operations	0	0	620,757	620,757	620,757
DDP Subsystem Maintenance & OP	205,209	0	364,182	569,391	569,391
MIDIS - MT Infectious Disease Info.	0	0	129,329	129,329	0
	\$47,556,812	\$1,758,185	\$136,182,417	\$185,497,414	\$155,809,444
Long Range IT		LRIT		Total	
MACWIS (Possible LRIT Request)*	\$0	\$12,439,254	\$12,439,254	\$24,878,508	\$21,189,597
Grand Total				\$210,375,922	\$176,999,041
* Projects associated with long range funding and system builds 2017 Biennium.					
Source: MBARS IT Projects: Statewide Summary of Funding by Agency					

Funding

The following table shows the program funding, by source for the base year and for the 2015 biennium as adopted by the legislature.

Total Operations Services Branch Funding by Source of Authority 2015 Biennium Budget - Technology Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$23,413,653	\$0	\$0	\$23,413,653	32.6%		
State Special Total	\$2,593,152	\$0	\$0	\$2,593,152	3.6%		
02381 02 Indirect Activity Prog 09	\$2,365,652	\$0	\$0	\$2,365,652	3.3%		
02598 Medc Cost Recovery	\$227,500	\$0	\$0	\$227,500	0.3%		
Federal Special Total	\$45,823,839	\$0	\$0	\$45,823,839	63.8%		
03598 03 Indirect Activity Prog 09	\$45,823,839	\$0	\$0	\$45,823,839	63.8%		
Total All Funds	\$71,830,644	\$0	\$0	\$71,830,644	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

All HB 2 categories are funded through cost allocation using a formula that recognizes the multiple funding sources and required general fund matches for costs that benefit common purposes related to work done by TSD throughout the agency.

The division budget for the 2015 biennium is about \$71.8 million containing about 64.0% from federal sources, 33.0% from the state general fund, and just over 3.0% from state special revenue funds.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	11,568,480	11,568,480	23,136,960	98.82%	32,368,779	32,368,779	64,737,558	90.13%
Statewide PL Adjustments	(55,144)	(63,902)	(119,046)	(0.51%)	(76,245)	(93,556)	(169,801)	(0.24%)
Other PL Adjustments	369,346	26,393	395,739	1.69%	3,618,712	3,294,175	6,912,887	9.62%
New Proposals	0	0	0	0.00%	175,000	175,000	350,000	0.49%
Total Budget	\$11,882,682	\$11,530,971	\$23,413,653		\$36,086,246	\$35,744,398	\$71,830,644	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					352,409					358,886
Vacancy Savings					(179,826)					(180,081)
Inflation/Deflation					6,096					11,167
Fixed Costs					(254,924)					(283,528)
Total Statewide Present Law Adjustments										
		(\$55,144)	(\$7,826)	(\$13,275)	(\$76,245)		(\$63,902)	(\$9,427)	(\$20,227)	(\$93,556)
DP 50 - Initial Motion to FY 2012 Base	0.00	55,144	7,826	13,275	76,245	0.00	63,902	9,427	20,227	93,556
DP 51 - Adjustment for Statewide Personal Services	0.00	59,158	12,043	101,382	172,583	0.00	61,568	12,532	104,705	178,805
DP 52 - Adjustment for Statewide Operations	0.00	(114,302)	(19,869)	(114,657)	(248,828)	0.00	(125,470)	(21,959)	(124,932)	(272,361)
DP 9001 - Private Lease Adjustment	0.00	14,202	2,825	21,962	38,989	0.00	15,626	3,051	23,915	42,592
DP 9003 - National Electronic Disease Surveillance system	0.00	0	0	64,713	64,713	0.00	0	0	64,616	64,616
DP 9004 - CAPS Maintenance & Operations Annualization	0.00	25,191	0	14,170	39,361	0.00	51,138	0	28,765	79,903
DP 9005 - CCUBS Maintenance & Operations Annualization	0.00	0	0	36,323	36,323	0.00	0	0	73,735	73,735
DP 9006 - CHIMES Medicaid/HMK/TEAMS Syst. - Restricted / OTO	0.00	329,953	15,789	3,093,584	3,439,326	0.00	282,428	20,406	3,434,834	3,737,668
DP 9007 - Montana Access EBT Outsourcing	0.00	0	0	0	0	0.00	(322,799)	0	(381,540)	(704,339)
Total Other Present Law Adjustments										
	0.00	\$369,346	\$18,614	\$3,230,752	\$3,618,712	0.00	\$26,393	\$23,457	\$3,244,325	\$3,294,175
Grand Total All Present Law Adjustments										
	0.00	\$314,202	\$10,788	\$3,217,477	\$3,542,467	0.00	(\$37,509)	\$14,030	\$3,224,098	\$3,200,619

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - The legislature reinstated funding for statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - The legislature approved the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 9001 - Private Lease Adjustment - The legislature approved a total fund increase to annualize rent for offices in non-state owned buildings throughout the state.

DP 9003 - National Electronic Disease Surveillance system - The legislature approved \$129,329 federal funding to provide for programming, maintenance, and the associated 1.00 modified FTE for of the National Electronic Disease Surveillance System (NEDS). NEDS is part of the federal National Electronic Disease Surveillance System allowing rapid reporting of disease trends to the Centers for Disease Control and Prevention.

DP 9004 - CAPS Maintenance & Operations Annualization - The legislature approved funding for maintenance and operations of the Child and Adult Protective Services System, which is associated with federal Title IV-E funding (foster care and subsidized adoption) at a matching rate of 64.0% general fund and 36.0% federal funds.

DP 9005 - CCUBS Maintenance & Operations Annualization - The legislature approved a federal fund increase to maintain the maintenance and operations contract for the Child Care Under the Big Sky (CCUBS) System.

DP 9006 - CHIMES Medicaid/HMK/TEAMS Syst. - Restricted / OTO - The legislature provided a restricted, one-time-only increase to annualize costs for the maintenance and operations contract and project management of the eligibility determination systems associated with the CHIMES Medicaid/HMK and TEAMSs systems. Funding was approved with the restriction that it may be used only by the TSD for that purpose.

DP 9007 - Montana Access EBT Outsourcing - The legislature approved a total funds HB 2 reduction of just over \$700,000 in FY 2015 to the operating costs for the Montana Access Electronic Benefits Transfer system including a general fund reduction of just over \$300,000.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 9011 - MACWIS Planning Completion (OTO/Biennial)										
09	0.00	0	113,750	61,250	175,000	0.00	0	113,750	61,250	175,000
Total	0.00	\$0	\$113,750	\$61,250	\$175,000	0.00	\$0	\$113,750	\$61,250	\$175,000

DP 9011 - MACWIS Planning Completion (OTO/Biennial) - The legislature provided a \$350,000 one-time-only, biennial appropriation of state and federal special revenue to complete the planning process for the Montana Adult and Child Welfare Information System (MACWIS). The funding source is one-time Montana Chemical Dependency Center (MCDC) cost recovery funds that had built up. The appropriation would allow the requirements definition and validation planning process to occur this biennium to bring the MACWIS project closer to the legislative intent.

The legislature also included language shown in the following section.

Language and Statutory Authority

The legislature included the following language in HB 2:

"Funding for the CHIMES Medicaid/HMK and TEAMS systems may only be used by the Technology Services Division for the maintenance and operations contract and project management of the eligibility determination systems for CHIMES Medicaid/HMK, Chimes SNAP, CHIMES TANF, and TEAMS systems."

"The Department of Public Health and Human Services must use the biennial appropriation of \$350,000 in fiscal year

2014 and fiscal year 2015 in the Technology Services Division to complete the planning process for the Montana adult and child welfare information system (MACWIS) including a complete plan for funding the development of the MACWIS system for presentation to the 2015 Legislature."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	12.00	12.00	12.00	12.00	12.00	12.00	0.00	0.00%
Personal Services	818,841	834,192	906,823	906,604	1,653,033	1,813,427	160,394	9.70%
Operating Expenses	105,623	75,834	109,000	108,777	181,457	217,777	36,320	20.02%
Equipment & Intangible Assets	5,240	0	5,240	5,240	5,240	10,480	5,240	100.00%
Total Costs	\$929,704	\$910,026	\$1,021,063	\$1,020,621	\$1,839,730	\$2,041,684	\$201,954	10.98%
General Fund	364,209	363,549	401,954	401,744	727,758	803,698	75,940	10.43%
State Special	22,319	17,991	25,286	25,261	40,310	50,547	10,237	25.40%
Federal Special	543,176	528,486	593,823	593,616	1,071,662	1,187,439	115,777	10.80%
Total Funds	\$929,704	\$910,026	\$1,021,063	\$1,020,621	\$1,839,730	\$2,041,684	\$201,954	10.98%

Program Description

The Management and Fair Hearings Office (MFH) is made up of the Branch Management Office and the Office of Fair Hearings. It is responsible for all the oversight and management of the Operations Branch and for providing for fair hearings for many of the department's programs.

Program Highlights**Management and Fair Hearings****Major Budget Highlights**

- ◆ The legislature increased total funding for the division by about 11% from the 2013 biennium primarily due to statewide present law adjustments for personal services that are partially offset by vacancy savings.

Program Narrative

The 2013 Legislature approved a \$2.0 million total fund budget for the 2015 biennium. Concurrent with the duties of MFH, the majority of the funding, just over \$1.8 million total funds, supports personal services for 6.00 FTE working in the Branch Management Office and 6.00 FTE in the Office of Fair Hearings. The funding for staff accounts for 89% of the total biennial appropriation while funding for operations is about 11%.

The total statewide and present law increase of about \$182,000 total funds for the biennium includes:

- Increases in personal services of just over \$251,000 that are partially offset by reductions in vacancy savings of about \$76,000
- An increase of about \$6,600 in fixed costs

Funding

The following table shows program funding, by source for the base year and for the 2015 biennium as adopted by the legislature.

Total Operations Services Branch Funding by Source of Authority 2015 Biennium Budget - Management And Fair Hearings							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$803,698	\$0	\$0	\$803,698	39.4%		
State Special Total	\$50,547	\$0	\$0	\$50,547	2.5%		
02221 02 Indirect Activity Prog 16	\$50,547	\$0	\$0	\$50,547	2.5%		
Federal Special Total	\$1,187,439	\$0	\$0	\$1,187,439	58.2%		
03304 03 Indirect Activity Prog 16	\$1,187,439	\$0	\$0	\$1,187,439	58.2%		
Total All Funds	\$2,041,684	\$0	\$0	\$2,041,684	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The program receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula applied to funds in the department that benefit common purposes met by MFH, generally referred to as indirect activity.

The program is funded about:

- 39.0% general fund
- 3.0% state special revenue
- 58% federal funds

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	364,209	364,209	728,418	90.63%	929,704	929,704	1,859,408	91.07%
Statewide PL Adjustments	37,745	37,535	75,280	9.37%	91,359	90,917	182,276	8.93%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$401,954	\$401,744	\$803,698		\$1,021,063	\$1,020,621	\$2,041,684	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					125,767					125,538
Vacancy Savings					(37,785)					(37,775)
Inflation/Deflation					(17)					(12)
Fixed Costs					3,394					3,166
Total Statewide Present Law Adjustments		\$37,745	\$2,967	\$50,647	\$91,359		\$37,535	\$2,942	\$50,440	\$90,917
DP 50 - Initial Motion to FY 2012 Base	0.00	(37,745)	(2,967)	(50,647)	(91,359)	0.00	(37,535)	(2,942)	(50,440)	(90,917)
DP 51 - Adjustment for Statewide Personal Services	0.00	36,332	2,851	48,799	87,982	0.00	36,217	2,833	48,713	87,763
DP 52 - Adjustment for Statewide Operations	0.00	1,413	116	1,848	3,377	0.00	1,318	109	1,727	3,154
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments	0.00	\$37,745	\$2,967	\$50,647	\$91,359	0.00	\$37,535	\$2,942	\$50,440	\$90,917

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - The legislature approved funding for statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - The legislature approved the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

Program Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	191.96	191.96	191.96	191.96	191.96	191.96	0.00	0.00%
Personal Services	10,582,164	11,595,969	11,751,725	11,767,487	22,178,133	23,519,212	1,341,079	6.05%
Operating Expenses	12,330,780	11,875,720	14,386,607	14,372,460	24,206,500	28,759,067	4,552,567	18.81%
Equipment & Intangible Assets	224,556	277,242	224,556	224,556	501,798	449,112	(52,686)	(10.50%)
Grants	21,439,775	20,432,232	24,342,532	24,343,058	41,872,007	48,685,590	6,813,583	16.27%
Benefits & Claims	14,656,277	13,637,295	14,656,277	14,656,277	28,293,572	29,312,554	1,018,982	3.60%
Transfers	0	252,000	0	0	252,000	0	(252,000)	(100.00%)
Total Costs	\$59,233,552	\$58,070,458	\$65,361,697	\$65,363,838	\$117,304,010	\$130,725,535	\$13,421,525	11.44%
General Fund	3,598,646	2,723,255	3,833,072	4,018,584	6,321,901	7,851,656	1,529,755	24.20%
State Special	14,765,002	14,804,580	16,607,808	16,607,638	29,569,582	33,215,446	3,645,864	12.33%
Federal Special	40,869,904	40,542,623	44,920,817	44,737,616	81,412,527	89,658,433	8,245,906	10.13%
Total Funds	\$59,233,552	\$58,070,458	\$65,361,697	\$65,363,838	\$117,304,010	\$130,725,535	\$13,421,525	11.44%

Program Description

The mission of the Public Health and Safety Division (PHSD) is to improve the health of Montanans to the highest possible level. The division provides a wide range of public health services to individuals and communities that are aimed at prevention of disease and promotion of health. Services are provided through nearly 500 contracts with a broad range of private and public providers, including local and tribal public health departments, clinics, hospitals, and other community-based organizations. Programs administered by the division include, but are not limited to:

- 1) Clinical and environmental laboratory services;
- 2) Chronic and communicable disease prevention and control;
- 3) Maternal and child public health services;
- 4) Public health emergency preparedness;
- 5) Women's, Infants and Children's Special Nutrition Program (WIC);
- 6) Food and Consumer Safety; and
- 7) Emergency Medical Services.

Statutory authority for public health functions is in Title 50, MCA, including local public health activities. Rules concerning public health programs are in Title 37 of the Administrative Rules of Montana. Specific citations include: Title V of the Social Security Act; Family Planning Title X of the federal Public Health Service Act and 42 CFR, Subpart A, Part 59; WIC P. L. 95-627, Child Nutrition Act of 1966, and 7CFR part 246

Program Highlights

Public Health and Safety Division Major Budget Highlights	
◆	Significant changes contributing to the \$13.4 million increase from the 2013 biennium budget are:
•	\$6.7 million in new proposals to add federal grant funding to expand/improve home visiting services, children's special health services, a state arthritis program, and laboratories
•	\$3.9 million in state special revenue for tobacco control prevention, vital statistics, genetics, and prevention of heart disease and diabetes
•	\$0.7 million general fund for statewide present law adjustments and to offset a federal grant reduction for the state poison control program in FY 2015

Summary of Legislative Action

The 2015 biennium appropriation for PHSD is \$13.4 million greater than the 2013 biennium, including \$1.5 million general fund. The changes authorized by the legislature total \$12.3 million, including about \$0.7 million general fund. The legislature approves appropriation changes compared to the FY 2012 base budget, so those changes are different than the biennial comparisons, which include FY 2013 appropriations. In this case, the FY 2013 appropriation is lower than the FY 2012 base budget, which makes the biennial difference exceed the spending changes approved by the legislature.

The major changes authorized by the legislature are:

- Statewide present law adjustments for personal services and fixed cost and operating increases - \$2.6 million including \$0.5 million general fund
- Tobacco prevention efforts aimed at children and teenagers - \$1.5 million state special revenue
- New or expanded federal programs - \$6.7 million federal funds with major increases for:
 - Home visiting to at-risk mothers and children - \$2.0 million
 - Preventive health services and programs - \$1.6 million
 - Laboratory and epidemiology capacity in the state - \$1.1 million
 - A state-based arthritis program - \$0.8 million

The legislature added a line item restricted appropriation for federal Title X family planning grant funds, including language to restrict the use of funds to only those purposes allowed by federal law.

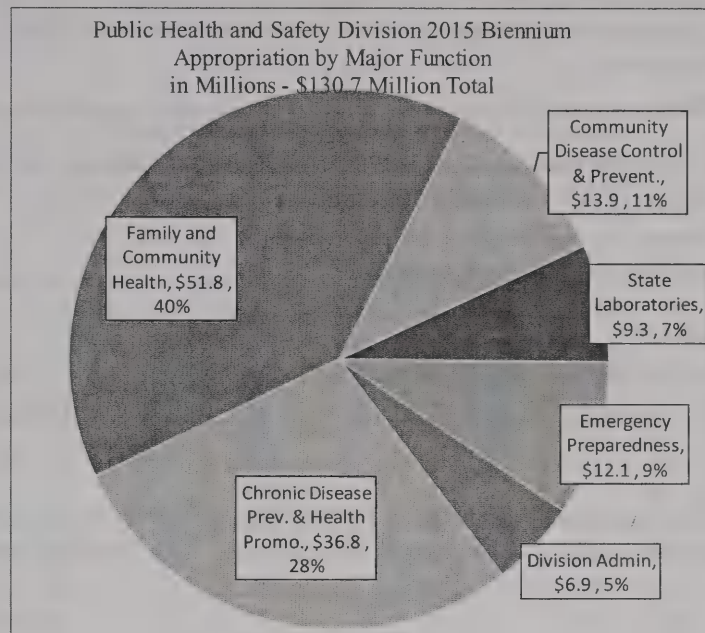
Division Appropriation Characteristics

The PHSD division appropriation is 4% of the \$3.5 billion appropriated to DPHHS, including 1% of the total \$906.9 million general fund appropriation to DPHHS.

Appropriations by Function

Figure 12 shows the 2015 biennium appropriation for PHSD by function. About 40% of the FY 2015 appropriation supports functions related to family and community health. Chronic disease prevention and health promotion are just under 30% of the total. Other functions are less than 11% of the total appropriation.

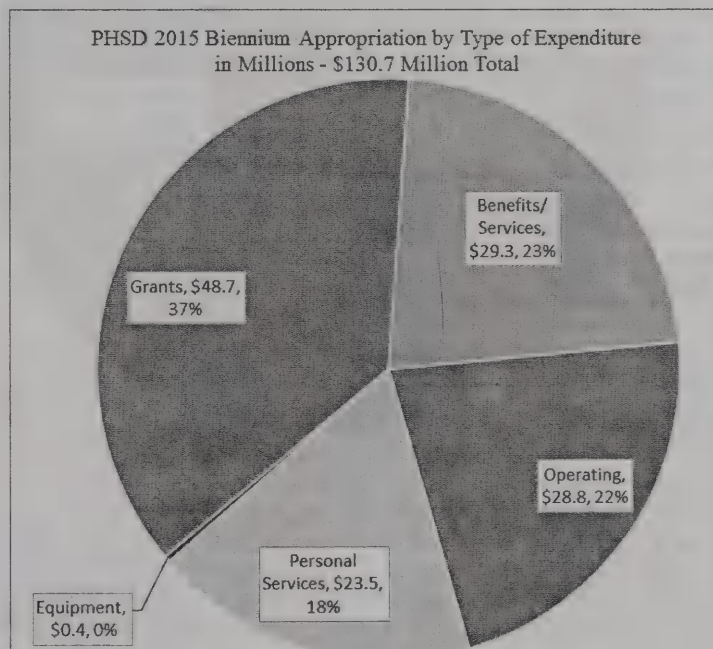
Figure 12



Appropriations by Type of Expenditure

Figure 13 shows the 2015 biennium appropriation for PHSD by type of expenditure. More than a third of the PHSD appropriation supports grants that are awarded to counties, health departments, health providers, and other entities to provide broad based public benefits. About a fifth of the division budget pays for direct services provided to individuals who meet specific eligibility criteria. Operating costs that pay for expenses related to managing the division and personal services costs are respectively 22% and 18% of the total appropriation.

Figure 13



The majority of grants are funded from federal categorical grants and tobacco settlement state special revenue funds. Appropriations for grants that are more than 5% of the FY 2015 total support:

- Women, infant and children nutrition programs
- Tobacco control and prevention
- Emergency preparedness

The major benefits or types of direct services provided to individuals and the percent of the FY 2015 appropriation are:

- Women, infant, and children nutrition/food – 16%
- Genetics testing and counseling – 2%
- Children's special health services – 1%

Detailed Appropriation Information

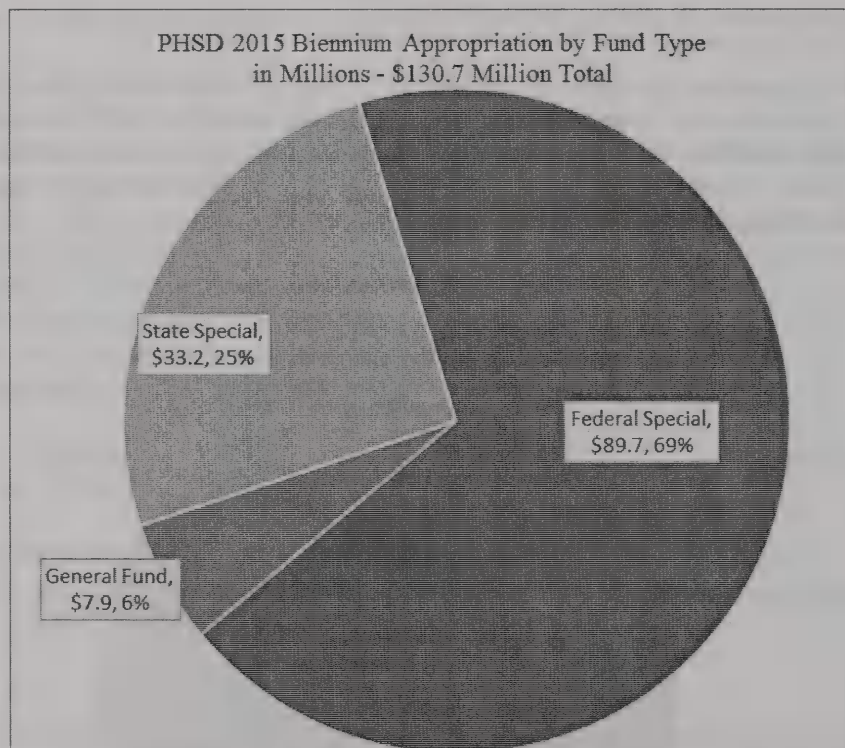
Detailed division appropriation information for PHSD can be found in Table 7-A at this link:

<http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/7A-PHSD.pdf>

Appropriations by Fund Type

Figure 14 shows the PHSD 2015 biennium appropriation by fund type. Federal funds are 69% of the total. State special revenue is one quarter of the total funding and general fund is 6%. The Funding section discusses individual fund sources in greater detail.

Figure 14



Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature. PHSD is supported by over 60 different funding sources and most have specific requirements governing the expenditure of funds.

Total Public Health Funding by Source of Authority 2015 Biennium Budget - Public Health & Safety Div.							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$7,851,656	\$0	\$0	\$7,851,656	6.0%		
State Special Total	\$33,215,446	\$0	\$0	\$33,215,446	25.4%		
02199 Dhes Food & Consumer	\$13,927	\$0	\$0	\$13,927	0.0%		
02366 Public Health Laboratory	\$6,327,691	\$0	\$0	\$6,327,691	4.8%		
02379 02 Indirect Activity Prog 07	\$889,844	\$0	\$0	\$889,844	0.7%		
02419 Vital Statistics	\$854,382	\$0	\$0	\$854,382	0.7%		
02462 Food/lodging License	\$1,902,551	\$0	\$0	\$1,902,551	1.5%		
02512 Brfs Survey Fees	\$107,686	\$0	\$0	\$107,686	0.1%		
02765 Fees On Insurance Policies - Sb 275	\$2,564,836	\$0	\$0	\$2,564,836	2.0%		
02772 Tobacco Hlth & Medica Initiative	\$51,315	\$0	\$0	\$51,315	0.0%		
02773 Childrens Special Health Services	\$925,992	\$0	\$0	\$925,992	0.7%		
02790 6901-statewide Tobacco Sttlmnt	\$17,638,324	\$0	\$0	\$17,638,324	13.5%		
02987 Tobacco Interest	\$1,938,898	\$0	\$0	\$1,938,898	1.5%		
Federal Special Total	\$89,658,433	\$0	\$0	\$89,658,433	68.6%		
03004 Ems Data Injury	\$219,128	\$0	\$0	\$219,128	0.2%		
03020 Ph Workforce Development	\$1,894	\$0	\$0	\$1,894	0.0%		
03026 Family Planning Title X	\$4,612,010	\$0	\$0	\$4,612,010	3.5%		
03027 Wic (women,infants & Children)	\$20,816,041	\$0	\$0	\$20,816,041	15.9%		
03030 Health Prevention & Services	\$390,440	\$0	\$0	\$390,440	0.3%		
03031 Maternal & Child Health	\$4,981,113	\$0	\$0	\$4,981,113	3.8%		
03057 Newborn Hearing Screening	\$525,271	\$0	\$0	\$525,271	0.4%		
03105 Mt Diabetes	\$997,882	\$0	\$0	\$997,882	0.8%		
03146 10.577 Wic Bf Peer Counseling	\$416,558	\$0	\$0	\$416,558	0.3%		
03150 Wic Cdc Surveillance	\$181,828	\$0	\$0	\$181,828	0.1%		
03159 Tuberculosis Grant	\$329,585	\$0	\$0	\$329,585	0.3%		
03203 Strengthen Phi Component I	\$490,977	\$0	\$0	\$490,977	0.4%		
03246 Wic Admin	\$10,042,697	\$0	\$0	\$10,042,697	7.7%		
03253 Homeland Security Program	\$10,000	\$0	\$0	\$10,000	0.0%		
03273 Primary Care Services	\$223,257	\$0	\$0	\$223,257	0.2%		
03274 Ryan White Act, Title Ii	\$1,561,078	\$0	\$0	\$1,561,078	1.2%		
03275 Adult Viral Hepatitis Prevent	\$44,458	\$0	\$0	\$44,458	0.0%		
03294 Primary Care Services Arra	\$32,307	\$0	\$0	\$32,307	0.0%		
03310 Aca Mdcd Incent For Prev Of Cd	\$223,582	\$0	\$0	\$223,582	0.2%		
03328 Afford Care Act Miechvp Frmla	\$2,000,000	\$0	\$0	\$2,000,000	1.5%		
03334 Aca Community Transformation	\$1,538,390	\$0	\$0	\$1,538,390	1.2%		
03336 Food Inspection Program	\$170,058	\$0	\$0	\$170,058	0.1%		
03362 Data Integration	\$115,802	\$0	\$0	\$115,802	0.1%		
03366 Emse Sproc	\$400,000	\$0	\$0	\$400,000	0.3%		
03370 Epi & Lab Surveillance E. Coli	\$741,000	\$0	\$0	\$741,000	0.6%		
03371 Mt Arthritis	\$856,918	\$0	\$0	\$856,918	0.7%		
03380 Cvschn	\$589,824	\$0	\$0	\$589,824	0.5%		

Total Public Health Funding by Source of Authority 2015 Biennium Budget - Public Health & Safety Div.							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
03392 Colorectal Cancer Screening	\$1,604,741	\$0	\$0	\$1,604,741	1.2%		
03396 Ryan White Hiv Treatment	\$11,108	\$0	\$0	\$11,108	0.0%		
03399 Healthy Communities	\$75,098	\$0	\$0	\$75,098	0.1%		
03402 Addressing Asthma	\$549,999	\$0	\$0	\$549,999	0.4%		
03420 Early Hearing Deficit Intrv	\$274,422	\$0	\$0	\$274,422	0.2%		
03421 Obesity Prevention	\$1,530,001	\$0	\$0	\$1,530,001	1.2%		
03451 69010-cdp For Brfs	\$936,878	\$0	\$0	\$936,878	0.7%		
03510 Heart Disease & Stroke Program	\$2,080,000	\$0	\$0	\$2,080,000	1.6%		
03541 State Loan Repayment Program	\$144,140	\$0	\$0	\$144,140	0.1%		
03596 03 Indirect Activity Prog 07	\$1,958,325	\$0	\$0	\$1,958,325	1.5%		
03689 6901-bioter Hosp Preparedness	\$3,222,042	\$0	\$0	\$3,222,042	2.5%		
03690 6901-rape Prev & Educ 93.126	\$237,565	\$0	\$0	\$237,565	0.2%		
03709 6901-rural Access Emerg Device	\$1,870	\$0	\$0	\$1,870	0.0%		
03711 6901-breast & Cervical Cancer	\$4,384,547	\$0	\$0	\$4,384,547	3.4%		
03712 6901-cancer Registries 93.283	\$566,379	\$0	\$0	\$566,379	0.4%		
03713 6901-wic Farmer Market 10.572	\$104,332	\$0	\$0	\$104,332	0.1%		
03788 Montana Disability And Health Progr	\$840,000	\$0	\$0	\$840,000	0.6%		
03822 Tobacco Control	\$1,715,945	\$0	\$0	\$1,715,945	1.3%		
03929 Seroprevalence/surveillance	\$136,685	\$0	\$0	\$136,685	0.1%		
03933 Affordable Care Act Elc	\$1,067,062	\$0	\$0	\$1,067,062	0.8%		
03936 Vaccination Program	\$2,367,521	\$0	\$0	\$2,367,521	1.8%		
03937 Std Program	\$645,675	\$0	\$0	\$645,675	0.5%		
03938 Aids Fed. Cat. #13.118	\$2,585,763	\$0	\$0	\$2,585,763	2.0%		
03959 Bioterrorism	\$8,904,580	\$0	\$0	\$8,904,580	6.8%		
03969 Bunker Hill	\$635,280	\$0	\$0	\$635,280	0.5%		
03979 Comprehensive Cancer Control	\$566,377	\$0	\$0	\$566,377	0.4%		
Total All Funds	\$130,725,535	\$0	\$0	\$130,725,535	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The 2015 biennium PSHD budget is funded by general fund (6%), state special revenue (25%), and federal funds (69%). The major sources of state special revenue are:

- Tobacco settlement funds and tobacco settlement trust fund interest (15% in total)
- Fees for laboratory services (5% of total)
- Insurance fees for a genetics program (\$1 annually for each Montana resident insured under any individual or group disability or health insurance policy – 2% of total)
- Licensing fees for food manufacturers or food sales establishments (5% of an annual license fee of \$115 – 1.5% of total))

Federal funding sources supporting PSHD functions are categorical grants governed by federal laws that specify allowable uses for each. Federal funding sources that contribute more than 2% of total division funding are:

- Women, infants, and children benefits and administrative funds – 25%
- Family planning – 10%
- Bioterrorism and hospital preparedness – 9%
- Maternal child health block grant – 4%
- Breast and cervical cancer – 3%

Figure 15 shows the major PSHD functions and the fund source(s) that support each function.

Figure 15

Funding Sources for Public Health and Safety Division by Major Function			
Major Program/Function	State		
	General Fund	Special Revenue*	Federal Funds
Administration - Division and Bureau	x	x	x
Asthma, Diabetes, Cardiovascular Health		x	x
Behavioral Risk Factor Surveillance		x*	x
Cancer Control	x	x	x
Childrens Special Health Services		x	x
Communicable Disease and Epidemiology	x	x	x
Emergency Medical Services & Trauma Systems	x	x	x
Emergency Preparedness			x
Food and Consumer Safety	x	x*	x
Genetics		x	x
HIV & Sexually Transmitted Disease Prevention	x	x	x
Immunization	x	x	x
Maternal Child Health		x	x
Newborn Hearing Screening		x	
Public Health Home Visits	x	x	
Tobacco Prevention and Control		x	x
Vital Statistics	x	x*	
Women's and Men's Health	x		x
Women, Infant, & Children Nutrition Assistance		x	x

*Sources of state special revenue include fee for service income.

Federal Sequestration

A significant number of public health functions administered by PSHD are funded from federal grants. The legislature discussed impacts related to sequestration, but did not approve specific appropriations to offset potential reductions due to sequestration.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,598,646	3,598,646	7,197,292	91.67%	59,233,552	59,233,552	118,467,104	90.62%
Statewide PL Adjustments	234,429	237,539	471,968	6.01%	1,289,641	1,291,785	2,581,426	1.97%
Other PL Adjustments	(3)	(1)	(4)	0.00%	899,999	899,996	1,799,995	1.38%
New Proposals	0	182,400	182,400	2.32%	3,938,505	3,938,505	7,877,010	6.03%
Total Budget	\$3,833,072	\$4,018,584	\$7,851,656		\$65,361,697	\$65,363,838	\$130,725,535	

The majority of the PHSD 2015 biennium appropriation funds continuation of present law services – about 91%. New proposals are about 6% of the total. The majority of the general fund increase supports statewide present law adjustments for personal services and fixed cost adjustments. The remaining present law general fund request offsets the anticipated reduction in federal grant funds that support the statewide poison control program in FY 2015.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
Fiscal 2014					Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,659,215					1,675,633
Vacancy Savings				(489,654)					(490,308)
Inflation/Deflation				(1,724)					61
Fixed Costs				121,804					106,399
Total Statewide Present Law Adjustments	\$234,429	\$527,808	\$527,404	\$1,289,641		\$237,539	\$527,636	\$526,610	\$1,291,785
DP 50 - Initial Motion to FY 2012 Base	0.00 (234,429)	(458,914)	(610,175)	(1,303,518)	0.00	(237,539)	(527,636)	(526,610)	(1,291,785)
DP 51 - Adjustment for Statewide Personal Services	0.00 213,929	411,276	558,233	1,183,438	0.00	201,978	416,248	567,097	1,185,323
DP 52 - Adjustment for Statewide Operations	0.00 16,472	46,845	56,763	120,080	0.00	15,074	39,635	51,747	106,456
DP 53 - Base Funding Switch	0.00 4,025	791	(4,817)	(1)	0.00	20,486	71,753	(92,237)	2
DP 70104 - State Laboratory Operations	0.00 0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 70113 - Tobacco Use Prevention	0.00 0	750,000	0	750,000	0.00	0	750,000	0	750,000
DP 70401 - Line Item Restrict Title X Funds	0.00 0	0	0	0	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00 (\$3)	\$899,998	\$4	\$899,999	0.00	(\$1)	\$900,000	(\$3)	\$899,996
Grand Total All Present Law Adjustments	0.00 \$234,426	\$1,427,806	\$527,408	\$2,189,640	0.00	\$237,538	\$1,427,636	\$526,607	\$2,191,781

Statewide present law adjustments add \$1.3 million per year, including all but \$182,000 of the general fund appropriation increase in the 2015 biennium.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 70104 - State Laboratory Operations - This adjustment adds state special revenue for the Public Health Laboratory to meet projected increases in laboratory supplies and operating expenses. Funding is from revenues generated by laboratory testing services. DPHHS anticipates raising laboratory fees in the second year of the biennium to adequately fund the program.

DP 70113 - Tobacco Use Prevention - This appropriation for the Montana Tobacco Use Prevention Program funds youth prevention activities including increasing awareness of the dangers of tobacco use, creating educational materials and campaigns geared toward children and teens, and building youth leadership skills. Funding is from \$750,000 in each year of the biennium from tobacco settlement state special revenue, as provided in 17-6-606, MCA.

DP 70401 - Line Item Restrict Title X Funds - The legislature created a line item appropriation for Title X federal grant funds for family planning services. The legislature added language to HB 2 restricting the use of the funds to those purposes allowed by federal law.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70100 - Community Transformation Grant										
07	0.00	0	0	769,195	769,195	0.00	0	0	769,195	769,195
DP 70103 - Improve Serv for Children With Special Hlt Needs										
07	0.00	0	0	294,912	294,912	0.00	0	0	294,912	294,912
DP 70105 - EPI and Laboratory Capacity Grant										
07	0.00	0	0	533,531	533,531	0.00	0	0	533,531	533,531
DP 70106 - Medicaid Incentive Grant										
07	0.00	0	0	111,791	111,791	0.00	0	0	111,791	111,791
DP 70108 - MIEC Home Visiting Program - Formula										
07	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 70109 - Public Health System Improvement Grant										
07	0.00	0	0	150,000	150,000	0.00	0	0	150,000	150,000
DP 70110 - State Loan Repayment Program										
07	0.00	0	0	35,617	35,617	0.00	0	0	35,617	35,617
DP 70112 - Poison Control Hotline (OTO)										
07	0.00	0	0	0	0	0.00	182,400	0	(182,400)	0
DP 70118 - Asthma Home Visiting										
07	0.00	0	90,000	0	90,000	0.00	0	90,000	0	90,000
DP 70119 - Heart Disease & Diabetes Prevention Program										
07	0.00	0	125,000	0	125,000	0.00	0	125,000	0	125,000
DP 70120 - Genetics Program										
07	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 70121 - State-Based Arthritis Program										
07	0.00	0	0	428,459	428,459	0.00	0	0	428,459	428,459
DP 70122 - Regional Emergency Pediatric Services Grant										
07	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
Total	0.00	\$0	\$415,000	\$3,523,505	\$3,938,505	0.00	\$182,400	\$415,000	\$3,341,105	\$3,938,505

DP 70100 - Community Transformation Grant - This appropriation funds statewide chronic disease prevention activities including a hospital-based breast feeding initiative, work site health promotion focusing on nutrition and physical activity, community-based cardiovascular disease prevention, and coordination with local and tribal health departments to implement smoke free public housing policies. The appropriation is supported by federal grant funds.

DP 70103 - Improve Services for Children With Special Health Needs - The legislature expanded services for children and youth with special health needs by providing funding to community-based organizations, health care providers, and other partners for education, care coordination, assistance navigating the health care system, and other supportive services. Specifically this federal funding will be used to:

- o Establish a Montana Parents as Mentors program
- o Enhance transition services for youth with disabilities and their families as they transition into adulthood
- o Establish a link to available resources for Montana families with children with special health care needs and health care providers via the Utah Medical Home Web Portal
- o Provide trainings and technical assistance for Montana providers and partners to increase coordination of care for children and youth with special health care needs

DP 70105 - EPI and Laboratory Capacity Grant - The legislature funded enhancements in epidemiology and laboratory capacity in Montana and in coordination and implementation of health care associated infection prevention activities. The appropriation is supported by the federal Epidemiology and Laboratory Capacity grant.

DP 70106 - Medicaid Incentive Grant - This appropriation will be used to test the results of providing financial incentives via a debit card to adults enrolled in Medicaid who are participating in an evidence-based lifestyle intervention to reduce their risk of developing diabetes. It is funded from the federal Medicaid Incentive grant. The legislature requested that outcome measures be reported to the Legislative Finance Committee during the interim.

DP 70108 - MIEC Home Visiting Program - Formula - This new proposal will fund services to improve pregnancy outcomes and the health, development and school readiness of children up to the age of 5. Local and tribal health departments provide these services to high risk children and families. The request is funded from the federal Maternal, Infant and Early Childhood Home Visiting Grant.

The program provides evidence-based home visiting services to women, children, and families through six contracts with local public health departments. Additional funding will be used to:

- Implement national home visiting models (Parents as Teachers and Nurse-Family Partnership) according to standards for those models
- Provide additional services including health, hearing, vision, and developmental assessments and screenings, connecting families to resources, and providing education and support to parents on healthy pregnancies, overall health, child's health and development, school readiness, development-centered parenting, positive parent-child interaction, and family well-being

DP 70109 - Public Health System Improvement Grant - This appropriation will be used to prepare Montana for national public health accreditation by meeting public health practice standards and implementing quality improvement activities. The appropriation is funded by federal grant funds.

PHSD will use funding from the National Public Health Improvement Initiative to continue to strengthen and improve Montana's public health system through the following key activities:

- Bring public health programs and practices into alignment with national public health standards and measurements as set forth by the Public Health Accreditation Board
- Implement performance and quality improvement activities and increase the use of evidence-based interventions to increase the effectiveness of programs and practices
- Bring public health programs and practices of local and tribal public health departments into alignment with national public health standards and measurements
- Provide training and technical assistance that will prepare state, local and tribal public health agencies for voluntary national accreditation

DP 70110 - State Loan Repayment Program - The legislature provided loan repayment funds for nurse practitioners, physician assistants, certified nurse midwives, dental and mental health professionals working in health professional shortage areas. The appropriation is from federal funds.

DP 70112 - Poison Control Hotline (OTO) - This appropriation covers a portion of the cost of providing 24/7 access to information and consultation regarding poisonous substances for citizens and health care providers. These costs were previously covered with federal funds that are proposed to be eliminated from the federal budget. This appropriation is contingent upon elimination of the federal funds.

DP 70118 - Asthma Home Visiting - This appropriation for the Asthma Home Visiting Program will add three additional sites to provide services to children ages 0-17 with uncontrolled asthma. Funding is from tobacco settlement state special revenue funds, as provided in 16-6-606, MCA. Children and families served by the program receive environmental home assessments to identify and mitigate asthma triggers, education to better manage the condition, and assistance in coordinating care with schools and primary care providers.

DP 70119 - Heart Disease & Diabetes Prevention Program - This program is based on the National Institutes of Health Diabetes Prevention Program (DPP), a lifestyle intervention that prevents the development of diabetes among high-risk adults through reduced fat and caloric intake and increased physical activity. The legislature funded five additional program sites. Funding is from tobacco settlement state special revenue as provided in 17-6-606, MCA.

DP 70120 - Genetics Program - This adjustment adds state special revenue to fund enhanced clinical services and provide additional regional clinics and laboratory testing. It is funded from a \$1 fee charged for each Montana resident insured under any individual or group disability or health insurance policy including the state employee group plan. The fee may be used only to fund the statewide genetics program established in 33-2-713, MCA.

DP 70121 - State-Based Arthritis Program - This new proposal funds health education efforts to increase awareness of the benefits of physical activity among Montanans with arthritis, to implement arthritis control activities, and to monitor the burden of arthritis in Montana. The proposal is funded from federal funds.

DP 70122 - Regional Emergency Pediatric Services Grant - This appropriation supports a pediatric illness and injury demonstration project in rural and tribal communities. The state would partner with a hospital/provider specializing in pediatric care to develop approaches to improved pediatric capacity. The appropriation is from federal funds.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	354.91	354.91	353.91	353.91	354.91	353.91	(1.00)	(0.28%)
Personal Services	17,724,714	18,459,326	17,476,876	16,676,716	36,184,040	34,153,592	(2,030,448)	(5.61%)
Operating Expenses	6,406,307	5,632,350	6,998,666	7,020,870	12,038,657	14,019,536	1,980,879	16.45%
Grants	0	400,941	0	0	400,941	0	(400,941)	(100.00%)
Benefits & Claims	204,865,266	214,398,460	242,027,282	262,623,531	419,263,726	504,650,813	85,387,087	20.37%
Total Costs	\$228,996,287	\$238,891,077	\$266,502,824	\$286,321,117	\$467,887,364	\$552,823,941	\$84,936,577	18.15%
General Fund	72,165,391	75,814,375	81,612,271	85,186,819	147,979,766	166,799,090	18,819,324	12.72%
State Special	6,664,233	5,607,178	6,632,940	6,632,940	12,271,411	13,265,880	994,469	8.10%
Federal Special	150,166,663	157,469,524	178,257,613	194,501,358	307,636,187	372,758,971	65,122,784	21.17%
Total Funds	\$228,996,287	\$238,891,077	\$266,502,824	\$286,321,117	\$467,887,364	\$552,823,941	\$84,936,577	18.15%

Program Description

The Developmental Services Division (DSD) assists Montanans with disabilities and children with mental health needs to live, work, and participate in their communities. The division includes the Developmental Disabilities Program, the Montana Developmental Center (MDC), and the Children's Mental Health Bureau. The division provides or contracts for institutional care, inpatient care, residential services, home and community based services, and case management.

The Developmental Disabilities Program operates three home and community based Medicaid waivers, the state's IDEA early intervention program, and the state facility for behavioral treatment at the MDC in Boulder. These services include transportation, residential and work habilitation, adaptive equipment, and some medical services not covered by state plan Medicaid.

The Children's Mental Health Bureau manages a continuum of services to address the needs of youth with serious emotional disturbance and their families. These services are funded by Medicaid and offered by Medicaid enrolled providers. In addition the Bureau builds linkages to other child serving agencies to support the development of a system of care for youth.

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CFR Part 303.

Program Highlights

Developmental Services Division Major Budget Highlights	
♦	Total funding increased by \$85 million over the previous biennium <ul style="list-style-type: none"> • General fund increased by \$19 million, primarily due to caseload adjustments offset by a reduction at the Montana Developmental Center • Federal special revenue increased by \$65 million, primarily due to caseload adjustments, expansion of school based mental health services, and provider rate increases
♦	The legislature reduced funding for MDC to fund: <ul style="list-style-type: none"> • An additional provider rate increase • Transition to community services for 24 residents • The transition of one FTE to the Department of Justice to provide independent criminal investigation at MDC
♦	The legislature did not approve funding for overtime and holiday pay for MDC
♦	The legislature eliminated funding for community alternatives to psychiatric residential treatment facilities within the children's mental health program

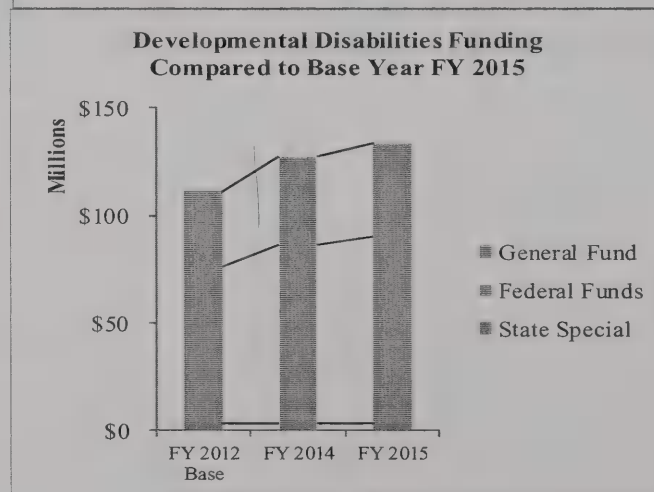
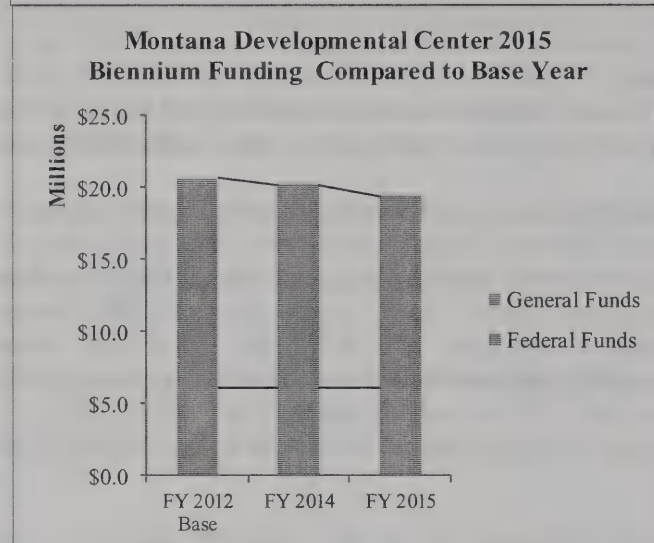
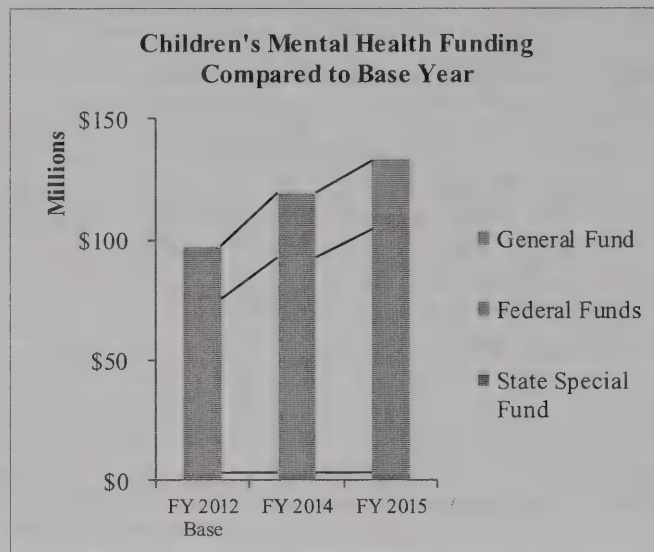
Summary of Legislative Action

The division provides services through three areas: 1) children's mental health; 2) institutional services for individuals with developmental disabilities; and 3) community services for individuals with developmental disabilities.

The 2015 biennium budget for DSD increases by \$85 million when compared to the 2013 biennium.

Compared to FY 2012 base year the general fund for children's mental health increased at an annualized rate of 8% and federal funds increased at an annualized rate of 12%. Compared to the FY 2012 base year, the developmental disabilities program general fund increased at an annualized rate of 7% and federal funds increased at an annualized rate of 6%. General fund for the MDC decreased at an annualize rate of 3% when compared to the FY 2012 base year while federal funding remained flat.

The charts below shows relative growth for funding sources.



The following summarizes the major adjustments made by the legislature:

- The legislature accepted all of the statewide present law adjustments (\$1.1million)
- The agency requested an increase in funding to cover a forecasted increase in Medicaid benefit caseloads; the legislature reduced this forecast by 2% for an assumed annualized growth rate of 8.1% general fund and 7.0% federal funds compared to the FY 2012 base
- Funding for MDC was reduced by \$2.6 million, in part to fund an additional 2% provider rate increase, expand waiver slots for community based services, provide funding for school based mental health coordination, and the transfer of 1.00 FTE from MDC to the Department of Justice
- The legislature did not approve funding for overtime and holiday pay differential for MDC (\$0.9 million general fund)
- The school based mental health program is expected to see significant growth, 18% per year, in the next biennium as the program gains wider acceptance among the school districts within the state. The legislature authorized federal funding for local school districts wishing to provide school based mental health services. Local school districts must provide state matching funds from local revenue sources
- The federal matching rate for Medicaid services, FMAP, decreased for the biennium resulting in a shift from federal funds to general fund (\$0.3 million)
- The legislature imposed an additional 2% vacancy savings. The agency may distribute the vacancy savings among the departments. Further details are in the Summary section

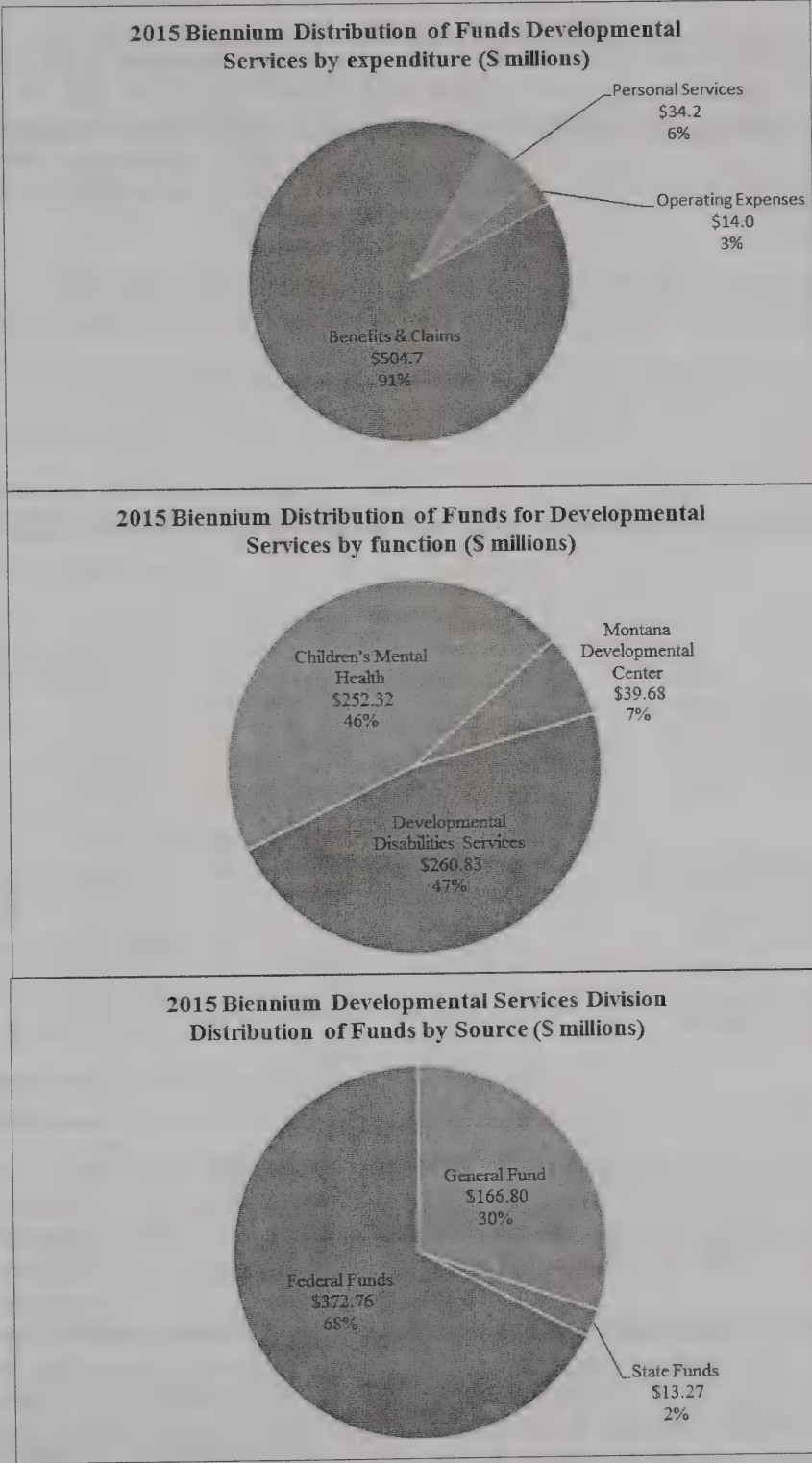
Program Narrative

Summary of Expenditures by Funding

The figure below shows the FY 2012 base budget expenditures compared to the 2015 biennium budget by function for the division. About 91% of funding provides benefits and claims for those receiving services from DPHHS, with the remaining 9% for administrative and operating costs.

Disability Services Division Fiscal Year 2012 Base Budget Compared to 2015 Biennium Budget By Major Function											
Function	FY 2012 Base				FY 2014 Budget				FY 2015 Budget		
	General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Total Funds
Children's Mental Health Services											
Administration	\$2,950	\$0	\$0	\$2,950	\$2,950	\$0	\$0	\$2,950	\$2,950	\$0	\$2,950
Health Benefits & Grants	862,367	0	212,709	1,075,076	1,552,436	0	212,628	1,765,064	1,552,251	0	1,765,251
School Based Mental Health	192,176	0	23,400,261	23,592,437	139,877	0	34,569,213	34,709,090	143,643	0	42,954,650
Medicaid Admin Children's Mental Health	999,498	0	2,195,431	3,194,929	1,001,263	0	2,129,704	3,130,967	2,117,472	0	3,132,419
Medicaid Ben Children's Mental Health	20,344,709	3,122,103	46,022,105	69,488,917	23,725,384	3,090,810	52,713,752	79,539,946	25,684,891	3,090,810	56,416,304
Total Children's Mental Health Services	\$22,401,700	\$3,122,103	\$71,830,506	\$97,354,309	\$26,411,910	\$3,090,810	\$89,625,297	\$119,128,017	\$28,399,054	\$3,090,810	\$101,701,054
Percent of Total Funds	31.0%	4.6%	47.8%	42.5%	32.4%	4.6%	50.3%	44.7%	33.3%	4.6%	52.3%
Montana Developmental Center											
Montana Developmental Center	\$12,554,285	\$0	\$0	\$12,554,285	\$12,082,374	\$0	\$0	\$12,082,374	\$11,294,404	\$0	\$11,294,404
Assessment & Stabilization Unit	1,975,399	0	0	1,975,399	2,017,069	0	0	2,017,069	2,008,167	0	2,008,167
Medicaid Reimbursements	0	0	6,137,361	6,137,361	0	0	6,137,361	6,137,361	0	0	6,137,361
Total Montana Developmental Center	\$14,529,684	\$0	\$6,137,361	\$20,667,045	\$14,099,443	\$0	\$6,137,361	\$20,236,804	\$13,302,571	\$0	\$19,439,932
Percent of Total Funds	20.1%	0.0%	4.1%	9.0%	17.3%	0.0%	3.4%	7.6%	15.6%	0.0%	3.2%
Developmental Disabilities											
Administration	\$1,643,310	\$0	\$2,092,412	\$3,735,722	\$1,710,441	\$0	\$2,180,376	\$3,890,817	\$1,715,793	\$0	\$2,188,346
Case Management Administration	619,834	0	1,054,732	1,674,566	649,496	0	1,105,218	1,754,714	649,177	0	1,104,674
Medicaid Administration	785,312	0	939,475	1,724,787	788,981	0	943,144	1,732,125	789,252	0	943,415
Developmental Disabilities Benefits	867,201	0	3,529,980	4,397,181	1,043,089	0	3,529,980	4,573,069	1,222,493	0	3,529,980
Early Intervention, IDEA Part C	2,407,402	600,000	1,564,899	4,572,301	2,407,402	600,000	1,563,235	4,570,637	2,407,402	600,000	4,571,426
Medicaid Targeted Case Management	1,156,523	0	2,267,201	3,423,724	2,015,068	0	3,508,055	5,523,123	2,096,921	0	3,622,119
Medicaid Autism Waiver	450,403	0	883,276	1,333,679	469,957	0	917,070	1,387,027	489,173	0	952,268
Medicaid Comprehensive Waiver	26,688,450	2,942,130	58,660,212	88,290,792	31,374,233	2,942,130	67,495,059	101,811,422	33,446,476	2,942,130	71,457,211
Medicaid Community Service Waiver	615,572	0	1,206,609	1,822,181	642,251	0	1,252,818	1,892,069	668,507	0	1,300,906
Total Developmental Disabilities	\$35,244,007	\$3,542,130	\$72,198,796	\$110,974,933	\$41,100,918	\$3,542,130	\$87,494,955	\$127,138,003	\$43,485,194	\$3,542,130	\$86,667,943
Percent of Total Funds	48.8%	5.3%	48.1%	48.5%	50.4%	5.3%	46.3%	47.7%	51.0%	5.3%	44.6%
Total Disability Services Division	\$72,165,391	\$6,664,433	\$150,166,663	\$228,996,287	\$81,612,221	\$6,632,940	\$178,257,613	\$266,502,824	\$85,186,819	\$6,632,940	\$194,501,358
Percent of Total Funds	31.5%	2.9%	65.6%	100.0%	30.6%	2.3%	66.9%	100.0%	29.8%	2.3%	67.9%

The following charts show budget distribution by expenditure, function, and funding source.



Children's Mental Health (19.15 FTE) and Developmental Disabilities (85.62 FTE) programs primarily provide Medicaid services.

The Montana Developmental Center (250.14 FTE) is the other major component of the division budget. Operational expenses for MDC are funded entirely with general fund. Federal funds received by the facility are Medicaid reimbursements for services provided to Medicaid eligible clients. This reimbursement is expected to be \$6.1 million in each year of the biennium. These funds must first be applied to capital improvement bonds at the facility with the balance being returned to the general fund. Bond payments are expected to be about \$1.0 million each year of the biennium.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Developmental Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$166,799,090	\$0	\$0	\$166,799,090	30.1%		
State Special Total	\$13,265,880	\$0	\$1,968,416	\$15,234,296	2.7%		
02035 Mdc Vocational	(\$14,412)	\$0	\$0	(\$14,412)	0.0%		
02244 Misc Fees	\$0	\$0	\$0	\$0	0.0%		
02310 Mdc Bond Repayment Revenue	\$0	\$0	\$1,968,416	\$1,968,416	0.4%	17-7-502	Direct
02597 Montana Healthy Kids Initiative	\$2,309,508	\$0	\$0	\$2,309,508	0.4%		
02772 Tobacco Hlth & Medica Initiative	\$9,366,266	\$0	\$0	\$9,366,266	1.7%		
02987 Tobacco Interest	\$1,604,518	\$0	\$0	\$1,604,518	0.3%		
Federal Special Total	\$372,758,971	\$0	\$0	\$372,758,971	67.2%		
03237 Alternative To Psych Treatment Fac	\$1,853,160	\$0	\$0	\$1,853,160	0.3%		
03387 Indv Disab Education Act Arra	\$529,529	\$0	\$0	\$529,529	0.1%		
03556 84.181 - Part H - Early Interv	\$2,597,730	\$0	\$0	\$2,597,730	0.5%		
03579 93.667 - Ssb - Benefits	\$7,485,216	\$0	\$0	\$7,485,216	1.3%		
03580 6901-93.778 - Med Adm 50%	\$5,453,397	\$0	\$0	\$5,453,397	1.0%		
03583 93.778 - Med Ben Fmap	\$348,188,418	\$0	\$0	\$348,188,418	62.8%		
03599 03 Indirect Activity Prog 10	\$6,651,521	\$0	\$0	\$6,651,521	1.2%		
Total All Funds	\$552,823,941	\$0	\$1,968,416	\$554,792,357	100.0%		
Percent - Total All Sources	99.6%	0.0%	0.4%				

Funding for the Disability Services Division comes primarily from general fund (30%), and federal funds (67%). The remaining funding is state special revenue from several sources. For Medicaid services, general fund pays for about one third and the federal government through the Federal Medical Assistance Percentage (FMAP) pays for two thirds. One half of the Medicaid administrative costs are paid from general fund and match an equal amount of federal funds.

Since the last biennium, the federal match rate has decreased and caseloads have increased, causing a shift from federal funds to general fund. The MDC funding is entirely general fund and accounts for 16% of total general fund expenditures for this division. Federal reimbursements for Medicaid eligible residents and services are directly deposited to the general fund after bond obligations at the facility are paid. HB 2 provides federal funding for the school based mental health services and accounts for 21% of federal funding within Developmental Services Division. The local school districts must provide state matching funds from local revenue sources.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	72,165,391	72,165,391	144,330,782	86.53%	228,996,287	228,996,287	457,992,574	82.85%
Statewide PL Adjustments	534,135	490,731	1,024,866	0.61%	597,433	542,631	1,140,064	0.21%
Other PL Adjustments	7,190,192	9,970,674	17,160,866	10.29%	31,654,064	47,503,653	79,157,717	14.32%
New Proposals	1,722,553	2,560,023	4,282,576	2.57%	5,255,040	9,278,546	14,533,586	2.63%
Total Budget	\$81,612,271	\$85,186,819	\$166,799,090		\$266,502,824	\$286,321,117	\$552,823,941	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,321,700					1,265,429
Vacancy Savings					(761,853)					(759,599)
Inflation/Deflation					(23,028)					(12,516)
Fixed Costs					60,614					49,317
Total Statewide Present Law Adjustments										
		\$534,135	\$0	\$63,298	\$597,433		\$490,731	\$0	\$51,900	\$542,631
DP 50 - Initial Motion to FY 2012 Base										
0.00		(534,135)	400	(147,352)	(681,087)	0.00	(490,731)	0	(51,900)	(542,631)
DP 51 - Adjustment for Statewide Personal Services										
0.00		510,197	(400)	133,704	643,501	0.00	370,673	(270)	135,427	505,830
DP 52 - Adjustment for Statewide Operations										
0.00		27,527	(12)	10,072	37,587	0.00	27,128	(12)	9,685	36,801
DP 53 - Base Funding Switch										
0.00		(3,589)	12	3,576	(1)	0.00	92,930	282	(93,212)	0
DP 10102 - MDC Medical Inflation										
0.00		12,771	0	0	12,771	0.00	19,445	0	0	19,445
DP 10201 - Med Ben Core Services Caseload Children's MH										
0.00		3,701,251	0	7,271,921	10,973,172	0.00	5,176,305	0	10,147,273	15,323,578
DP 10202 - Med Ben Waiver Services Caseload Dev Dis										
0.00		3,355,888	0	6,593,379	9,949,267	0.00	4,567,386	0	8,953,594	13,520,980
DP 10203 - Med Ben Federal Only Caseload Dev Dis										
0.00		0	0	10,700,947	10,700,947	0.00	0	0	18,609,018	18,609,018
DP 10401 - Med Ben Waiver FMAP Dev Dis										
0.00		146,700	0	(146,700)	0	0.00	194,135	0	(194,135)	0
DP 10402 - Med Ben Core FMAP Children's MH										
0.00		(32,976)	0	32,976	0	0.00	1,772	0	(1,772)	0
DP 10501 - Private Lease Adjustment										
0.00		6,558	0	11,349	17,907	0.00	11,631	0	19,001	30,632
Total Other Present Law Adjustments										
0.00		\$7,190,192	\$0	\$24,463,872	\$31,654,064	0.00	\$9,970,674	\$0	\$37,532,979	\$47,503,653
Grand Total All Present Law Adjustments										
0.00		\$7,724,327	\$0	\$24,527,170	\$32,251,497	0.00	\$10,461,405	\$0	\$37,584,879	\$48,046,284

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustments to establish a fund switch between fund types to fund base operations.

DP 10102 - MDC Medical Inflation - The legislature approved an increase in general fund in each year of the biennium to maintain existing prescription services at the Montana Developmental Center.

DP 10201 - Med Ben Core Services Caseload Children's MH - The legislature approved a present law adjustment for caseload growth in children's mental health services to cover the increase in the number of eligible people, utilization, acuity level, and cost per service for medical care.

DP 10202 - Med Ben Waiver Services Caseload Dev Dis - The legislature approved a present law adjustment for caseload growth in children's mental health services to cover the increase in the number of eligible people, utilization, acuity level, and cost per service for medical care.

DP 10203 - Med Ben Federal Only Caseload Dev Dis - The legislature provided federal Medicaid funds to support projected caseload increases for children receiving school based mental health services. Caseloads are projected to increase by 14% in FY 2014 and 22% in FY 2015 from the FY 2012 level.

DP 10401 - Med Ben Waiver FMAP Dev Dis - The legislature approved an increase in general fund with offsetting federal fund reductions for each year. This adjusts the base year expenses from the FY 2012 FMAP (federal medical assistance participation) rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds. The FY 2015 rate is 33.78% state funds and 66.22% federal funds.

DP 10402 - Med Ben Core FMAP Children's MH - The legislature approved a general fund reduction of \$32,976 for FY 2014 and a general fund increase of \$1,772 for FY 2015 with offsetting federal fund increases/reductions for each year. It adjusts the base year expenses from the FY 2012 FMAP (federal medical assistance participation) rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds. The FY 2015 rate is 33.78% state funds and 66.22% federal funds. The total cost for the program does not change.

DP 10501 - Private Lease Adjustment - The legislature approved funding for increases in lease expenses for working space for employees in non-state owned buildings located throughout the state.

New Proposals

Fiscal 2014						Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10204 - MDC Community Placements										
10	0.00	714,639	0	1,404,065	2,118,704	0.00	715,699	0	1,403,006	2,118,705
DP 10901 - DD Medicaid Provider Rate Increase										
10	0.00	638,857	0	1,258,551	1,897,408	0.00	1,295,474	0	2,537,290	3,832,764
DP 10902 - DD Non-Medicaid Provider Rate Increase										
10	0.00	87,944	0	0	87,944	0.00	177,646	0	0	177,646
DP 10903 - PRI - CMH Medicaid Core										
10	0.00	467,987	0	921,935	1,389,922	0.00	948,983	0	1,858,660	2,807,643
DP 10904 - CMH Non-Medicaid Provider Rate Increase										
10	0.00	19,882	0	0	19,882	0.00	40,161	0	0	40,161
DP 10905 - CMH 100% Federal Medicaid Provider Rate Increase										
10	0.00	0	0	468,005	468,005	0.00	0	0	945,371	945,371
DP 10906 - TCM for youth with SED										
10	0.00	(380,505)	0	(1,141,515)	(1,522,020)	0.00	(380,505)	0	(1,141,515)	(1,522,020)
DP 10907 - Expansion of DD Comprehensive Waiver (Rst)										
10	0.00	56,666	0	111,334	168,000	0.00	113,501	0	222,499	336,000
DP 10908 - 1% Reduction PL CMH Case Load										
10	0.00	(244,994)	(31,293)	(543,178)	(819,465)	0.00	(264,777)	(31,293)	(581,429)	(877,499)
DP 10909 - Incrs. DD Pvd. Rates Med and Non Med (Rst)										
10	0.00	0	0	1,258,551	1,258,551	0.00	0	0	2,537,290	2,537,290
DP 10910 - School Based Mental Health (OTO)										
10	0.00	(109,725)	0	0	(109,725)	0.00	(105,959)	0	0	(105,959)
DP 10911 - Room and Board for SED Children (Rst)										
10	0.00	650,000	0	0	650,000	0.00	650,000	0	0	650,000
DP 10912 - SB 43 Investigator transfer										
10	(1.00)	(97,064)	0	0	(97,064)	(1.00)	(97,064)	0	0	(97,064)
DP 10913 - Additional 1% Reduction PL CMH Case Load										
10	0.00	(276,287)	0	(543,178)	(819,465)	0.00	(296,070)	0	(581,429)	(877,499)
DP 10914 - I-Homes Reduction										
10	0.00	(772,509)	0	(1,474,464)	(2,246,973)	0.00	(1,236,985)	0	(2,317,571)	(3,554,556)
DP 10915 - Targeted Case Management SED Youth (Rst)										
10	0.00	967,662	0	1,843,674	2,811,336	0.00	999,919	0	1,867,644	2,867,563
DP 10920 - Medicaid Services - Developmental Services (RST)										
10	0.00	0	0	0	0	0.00	0	0	0	0
Total	(1.00)	\$1,722,553	(\$31,293)	\$3,563,780	\$5,255,040	(1.00)	\$2,560,023	(\$31,293)	\$6,749,816	\$9,278,546

DP 10204 - MDC Community Placements - The legislature approved funding for the placement of 24 individuals from the Montana Developmental Center into community service programs.

DP 10901 - DD Medicaid Provider Rate Increase - The legislature approved a 2% provider rate increase in each year of the biennium for the Developmental Disabilities Program and included language stating that the department must use \$1,897,408 in FY 2014 and \$3,832,764 in FY 2015 of funds for this purpose.

DP 10902 - DD Non-Medicaid Provider Rate Increase - The legislature approved a 2% provider rate increase in each year of the biennium for the Developmental Disabilities Program, and included language stating that the department must use \$87,944 in FY 2014 and \$177,646 in FY 2015 for this purpose.

DP 10903 - PRI - CMH Medicaid Core - The legislature approved a 2% provider rate increase in each year of the biennium for the Developmental Disabilities Program, and included language stating that the department must use \$1,389,922 in FY 2014 and \$2,807,643 in FY 2015 of funds for this purpose.

DP 10904 - CMH Non-Medicaid Provider Rate Increase - The legislature approved a 2% provider rate increase in each year of the biennium for the Developmental Disabilities Program, and included language stating that the department must use \$19,882 in FY 2014 and \$40,161 in FY 2015 of funds for this purpose.

DP 10905 - CMH 100% Federal Medicaid Provider Rate Increase - The legislature approved a 2% provider rate increase each year of the biennium for Children's Mental Health 100% federal Medicaid.

DP 10906 - TCM for youth with SED - The legislature approved a reduction in general fund of \$761,010 and federal funds of \$2,283,030 for the biennium to provide funding to supplement provider rates for Targeted Case Management for Seriously Emotionally Disturbed Children.

DP 10907 - Expansion of DD Comprehensive Waiver (Rst) - The legislature approved funding for 10 additional slots in FY 2012 and an additional 10 slots in FY 2014 within the Developmental Disabilities (DD) comprehensive waiver to serve children on the waiting list. Funding is restricted to screening additional children into the DD comprehensive waiver to reduce the number of children on the waiting list.

DP 10908 - 1% Reduction PL CMH Case Load - The legislature approved a 1% reduction in the case load estimate for Medicaid Benefits Core Services for Children's Mental Health. General fund is reduced by \$572,357 and federal funds are reduced by \$1,124,607 for the biennium.

DP 10909 - Incrs. DD Pvdr. Rates Med and Non Med (Rst) - The legislature approved an increase in provider rates for Developmental Disabilities Program Medicaid Core. DP 10901 and DP 10902 provide a 2% increase in provider rates. This decision package augments DP 10901 and DP 10902 to provide a 4% provider rate increase. General fund for this decision package is provided through a reduction in general fund in the Montana Developmental Center.

DP 10910 - School Based Mental Health (OTO) - The legislature approved general fund of \$109,725 in FY 2014 and \$105,959 in FY 2015 for the Office of Public Instruction to contract for services to coordinate school based mental health programs. The appropriation for the children's mental health operating expense is reduced by a like amount to provide the funding. Total funding for the biennium is \$215,684 general fund.

DP 10911 - Room and Board for SED Children (Rst) - The legislature approved a general fund appropriation of \$650,000 in each year of the biennium (\$1,300,000 total) for room and board for seriously emotional disturbed (SED) children in therapeutic group homes or foster care.

DP 10912 - SB 43 Investigator transfer - The legislature approved a funding reduction in general fund of \$97,064 of general fund in each year of the biennium to fund operating costs and personal services for a 1.00 FTE investigator in the Department of Justice to implement SB 43, which amends laws relating to investigation of allegations of abuse, neglect, or mistreatment at residential facilities. The Department of Justice will hire a criminal investigator to conduct investigation related to mistreatment, neglect, and abuse of residents of the Montana Developmental Center.

DP 10913 - Additional 1% Reduction PL CMH Case Load - The legislature approved an additional 1% reduction in the Children's Mental Health case load estimate.

DP 10914 - I-Homes Reduction - The legislature approved a reduction to an appropriation equivalent to the funds budgeted for I-Homes as reported by the agency. Total funds in the 2015 biennium are \$2,009,494 general fund, \$3,792,035 federal funds.

DP 10915 - Targeted Case Management SED Youth (Rst) - The legislature approved \$1,967,581 in general fund and \$3,711,318 in federal funds for the biennium to fund targeted case management for youth who are seriously emotionally disturbed. This appropriation is restricted for this purpose.

DP 10920 - Medicaid Services - Developmental Services (RST) - The legislature approved the line item restriction of all Medicaid services. This decision package moves Medicaid services from the main appropriations line to a line item within HB2. There is no net impact to any funds.

Language

The legislature included the following language in HB 2.

“The department of public health and human services must use \$107,826 in fiscal year 2014 and \$217,807 in fiscal year 2015 of funds in Developmental Services Division to raise non-Medicaid provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015.

Targeted Case Management for Youth With Serious Emotional Disturbances may be used only to increase rates for children’s mental health case management services to a level no less than the current fiscal year 2013 targeted case management rate for adults with severe disabling mental illness. This rate increase is in addition to and may not supplant or be supplanted by any other rate increase approved by the legislature for provider rates.

Expand Children’s Services may be used only to screen additional children into the developmental disabilities comprehensive waiver to reduce the waiting list.

Medicaid Services – Developmental Services includes \$2,811,336 in fiscal year 2014 and \$2,867,563 in fiscal year 2015 that may be used only to increase provider rates for developmental disabilities Medicaid core services above the rate paid in fiscal year 2013. This rate increase is in addition to and may not supplant or be supplanted by any other rate increase approved by the legislature for provider rates.

Developmental Services, Medicaid Services may be used only to pay for Medicaid services for eligible Medicaid enrollees for expenses recorded as benefits and claims in the state accounting system and may not be transferred to other uses in the department.”

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	55.00	55.00	55.00	55.00	55.00	55.00	0.00	0.00%
Personal Services	2,679,990	3,317,996	3,301,413	3,301,652	5,997,986	6,603,065	605,079	10.09%
Operating Expenses	7,946,429	8,246,012	8,644,559	8,777,561	16,192,441	17,422,120	1,229,679	7.59%
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	550,752,377	646,663,466	622,600,352	659,061,176	1,197,415,843	1,281,661,528	84,245,685	7.04%
Total Costs	\$561,378,796	\$658,227,474	\$634,546,324	\$671,140,389	\$1,219,606,270	\$1,305,686,713	\$86,080,443	7.06%
General Fund	109,441,719	127,348,230	128,695,326	137,205,876	236,789,949	265,901,202	29,111,253	12.29%
State Special	68,580,290	72,329,622	67,090,512	69,145,228	140,909,912	136,235,740	(4,674,172)	(3.32%)
Federal Special	383,356,787	458,549,622	438,760,486	464,789,285	841,906,409	903,549,771	61,643,362	7.32%
Total Funds	\$561,378,796	\$658,227,474	\$634,546,324	\$671,140,389	\$1,219,606,270	\$1,305,686,713	\$86,080,443	7.06%

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids (formerly the Children's Health Insurance Program), and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements, and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children, and low-income families.

The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty.

Big Sky Rx is a state funded program that helps Montanans who are at or below 200% of poverty and eligible for the Medicare Part D prescription drug program to pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

Program Highlights

Health Resources Division Major Budget Highlights	
◆	The HRD 2015 biennium budget is \$86.1 million greater than the 2013 biennium
◆	The specific adjustments that the legislature approved total \$183.0 million because the changes are added to the FY 2012 base budget, which is significantly lower than FY 2013 appropriated level
◆	The major adjustments the legislature approved are: <ul style="list-style-type: none"> ▪ Medicaid cost growth due to enrollment and increased service utilization - \$147.4 million total funds, including \$52.1 million general fund • Healthy Montana Kids enrollment and services cost increase for children in families with incomes from 101% to 250% of the federal poverty level - \$51.8 million total funds, including \$4.1 million general fund • A 2% annual provider rate increase - \$14.6 million total funds, including \$4.3 million general fund
◆	Increases are partially offset by: <ul style="list-style-type: none"> • A 2% reduction in trended enrollment and service utilization increases - \$19.1 million total funds, including \$5.0 million general fund • Removal of lawsuit settlement costs from base budget Medicaid expenditures including: <ul style="list-style-type: none"> ○ \$9.1 million total funds, including \$3.1 million general fund to settle the Blanton lawsuit related to Medicaid estate recoveries ○ \$6.0 million general fund for the South Pointe lawsuit over payment of fees to a developer when the department was not funded for a lease agreement
◆	The 2015 biennium budget includes an increase of \$17.0 million general fund and a like reduction of state special revenue due to fully expending one-time savings related to the enhanced federal Medicaid match authorized by the American Recovery and Reinvestment Act of 2009

Program Narrative

The Health Resources Division (HRD) 2015 biennium budget is \$86.1 million total funds, including \$29.1 million general fund, greater than the 2013 biennium. However, legislative appropriations are based on the difference between the base budget (FY 2012) and the estimated cost each year of the 2015 biennium. Legislative appropriations above base budget spending total \$183 million. Changes compared to the base budget are higher than the biennium to biennium comparison because the appropriation for FY 2013 is included in the biennial comparison and it is nearly \$150.0 million higher than the base budget. Major changes are listed in the Highlights Table.

General fund growth from the 2013 biennium to the 2015 biennium is due to Medicaid service utilization changes and enrollment increases and due to a reduction in state special revenue. State special revenue declines by a net of \$4.7 million due to elimination of a one-time funding source of \$8.5 million each year of the biennium. The state was allowed to set aside part of the general fund savings due to enhanced federal Medicaid match rate authorized by the American Recovery and Reinvestment Act of 2009. The set aside was deposited to a state special revenue account and used to fund 2013 biennium Medicaid state match with the understanding that the funding was one-time. The 2013 Legislature appropriated \$17.0 million general fund to “back fill” the one-time state special revenue funding. Other

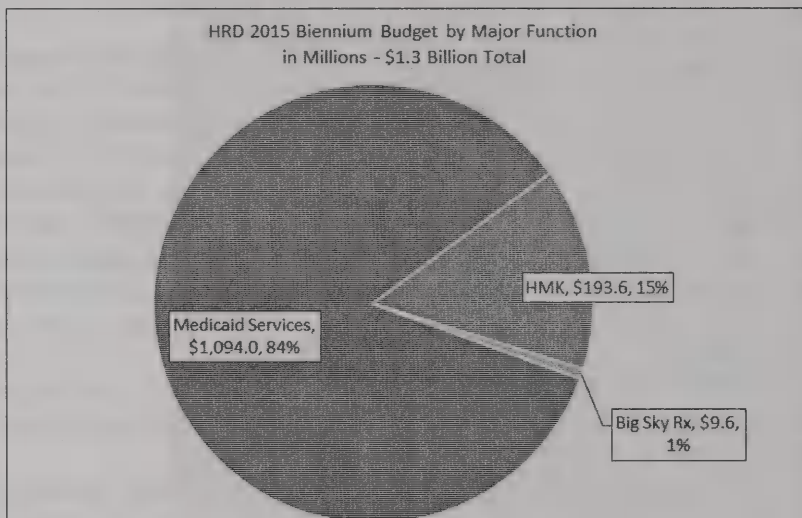
increases – primarily for the state match for HMK enrollment increases - partially offset the reduction in state special revenue.

Division Appropriation Characteristics

The HRD division appropriation is 37% of the \$3.5 billion appropriated to DPHHS, including 29% of the total \$906.9 million general fund appropriation to DPHHS. The main cost driver for the HRD budget is Medicaid services provided to low-income families, disabled individuals, and elderly persons. Most Medicaid services administered by HRD are an entitlement, meaning that if a person meets income and other eligibility criteria, then he or she is entitled to receive medically necessary services included in the Medicaid state plan. If enrollment increases cause costs to rise above appropriations, then DPHHS must change or limit services or provider payments to maintain expenditures within appropriation limits. Eligibility changes are not precluded, but Montana would be subject to significant federal sanctions if it lowered:

- Medicaid eligibility requirements for adults prior to January 1, 2014
- Medicaid or CHIP eligibility requirements for children prior to October 1, 2019

Figure 16



Appropriations by Function

Figure 16 shows the 2015 biennium appropriation for HRD by function. The Medicaid services function is the most significant with \$1.1 billion and 84% of the total. Healthy Montana Kids (HMK - medical services for children in families with incomes from 101% of the federal poverty level to 250% of the federal poverty level) is \$193.6 million and 15% of the total. Big Sky Rx that pays premium support for low income Medicare beneficiaries to purchase Medicare Part D drug coverage is \$9.6 million, with 1% of the total appropriation.

Figure 17

Appropriations by Type of Expenditure

Figure 17 shows the 2015 biennium appropriation for HRD by type of expenditure. Payments for benefits or medical services for persons who meet financial and other eligibility criteria total \$1.3 billion or 98% of the appropriation. Operating costs and personal services costs are each 1% of the total appropriation.

Appropriations by Fund Type

Figure 18 shows the HRD 2015 biennium appropriation by fund type. Federal funds – primarily Medicaid matching funds – are 69% of the total. General fund is one-fifth and state special revenue is 11%. In FY 2015, about 94% of the general fund and 77% of the state special revenue HRD appropriation is used as state match for Medicaid services. The Funding section discusses individual fund sources in greater detail.

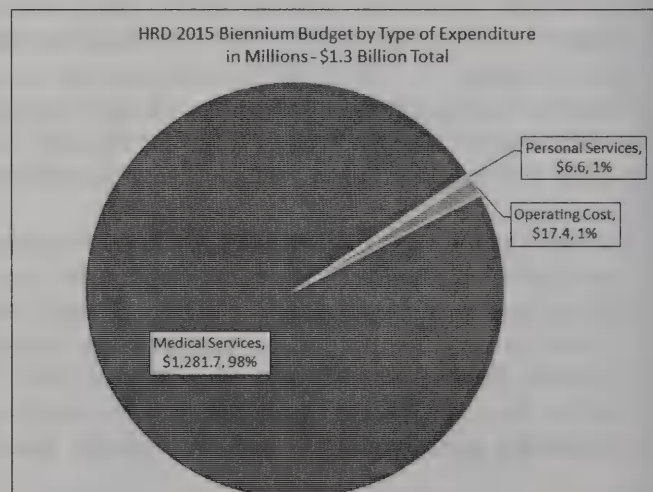
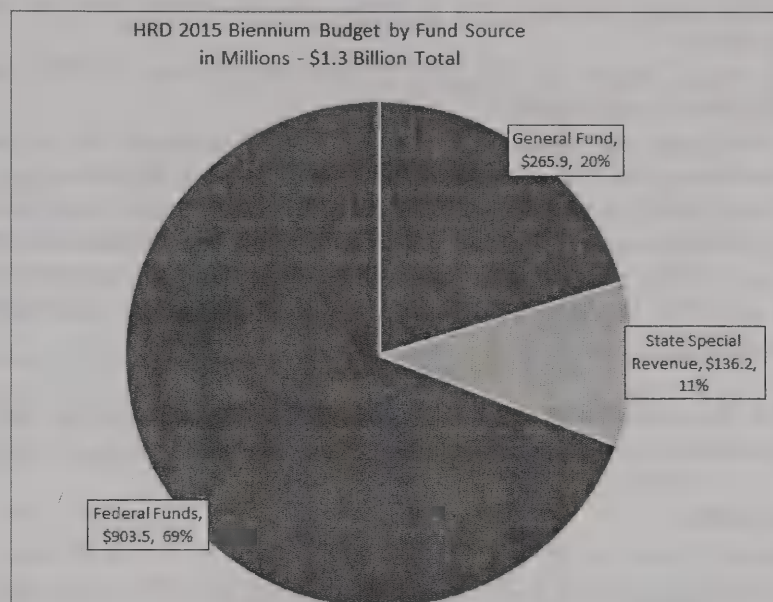


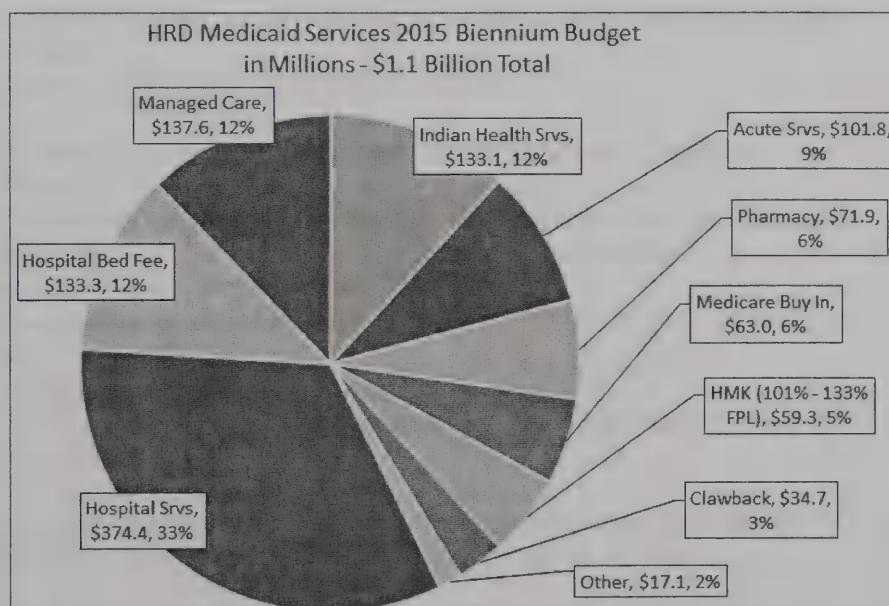
Figure 18



Medicaid Services Appropriations

Figure 19 shows the \$1.1 billion in 2015 biennium appropriations for Medicaid services administered by HRD by type of service. The total for Medicaid services in Figure 4 includes \$59.3 million for Medicaid services for children in families with incomes from 101% to 250% of the federal poverty level included in the HMK function.

Figure 19



Hospital services, including reimbursements leveraging the hospital utilization fee as state Medicaid matching funds, are \$407.7 million or 45% of the total. Two service categories account for 12% of the total - managed care services, primarily physician and laboratory services, at \$137.6 million and 100% federal payments for Medicaid services

provided by Indian Health Services providers at \$133.1 million. The balance of appropriations for Medicaid services are less than 10% of the total:

- Acute services, which include services such as dental, vision, durable medical equipment, and occupational, speech and physical therapy
- Pharmacy services, which include an estimated offset/reimbursement of \$78.7 million paid to the Montana Medicaid program by drug manufacturers
- Medicare buy in, which pays the Medicare Part A and Part B premiums for persons who are also eligible for Medicaid so that Medicare is the first insurer with Medicaid covering the balance of medical bills
- Healthy Montana Kids (HMK), which are services for children in families with incomes from 101% to 133% of the federal poverty level and are paid from the federal Children's Health Insurance Program (CHIP) grant
- Clawback, which is a 100% general fund payment to the federal government for cost savings to the state Medicaid program when the Medicare Part D prescription drug program assumed pharmacy costs for persons eligible for both Medicaid and Medicare

Total legislative changes for Medicaid services in FY 2014 are 10% over base budget expenditures and in FY 2015 are 16% over base budget expenditures.

Detailed Appropriation Information

Detailed division appropriation information for HRD can be found in Table 11-A at this link:

<http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/11A-HRD.pdf>

Detailed appropriation information for Medicaid services administered by HRD can be found in Table 11-B at this link:

<http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/11B-HRD.pdf>

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Health Resources Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$265,901,202	\$0	\$0	\$265,901,202	20.4%		
State Special Total	\$136,235,740	\$0	\$0	\$136,235,740	10.4%		
02053 Medicaid Nursing Home Match	\$123,019	\$0	\$0	\$123,019	0.0%		
02142 Medicaid Third Party Revenue	\$1,604,792	\$0	\$0	\$1,604,792	0.1%		
02164 Mt Univ System Grad Med Ed	\$636,188	\$0	\$0	\$636,188	0.0%		
02244 Misc Fees	\$0	\$0	\$0	\$0	0.0%		
02311 6901-02 Indrct Activty Prog 11	\$63,734	\$0	\$0	\$63,734	0.0%		
02597 Montana Healthy Kids Initiative	\$40,421,204	\$0	\$0	\$40,421,204	3.1%		
02772 Tobacco Hlth & Mediced Initiative	\$32,291,953	\$0	\$0	\$32,291,953	2.5%		
02789 6901-chip/mcha Tobacco Sett Fd	\$8,528,659	\$0	\$0	\$8,528,659	0.7%		
02987 Tobacco Interest	\$7,558,215	\$0	\$0	\$7,558,215	0.6%		
02989 69010-hospital Utilization Fee	\$45,007,976	\$0	\$0	\$45,007,976	3.4%		
Federal Special Total	\$903,549,771	\$0	\$0	\$903,549,771	69.2%		
03426 Chip Program Fed	\$146,894,307	\$0	\$0	\$146,894,307	11.3%		
03580 6901-93.778 - Med Adm 50%	(\$1,285,581)	\$0	\$0	(\$1,285,581)	-0.1%		
03582 93.778 - Med Ben 100%	\$133,074,183	\$0	\$0	\$133,074,183	10.2%		
03583 93.778 - Med Ben Fmap	\$624,293,206	\$0	\$0	\$624,293,206	47.8%		
03611 6901-03 Indrct Activty Prog 11	\$573,656	\$0	\$0	\$573,656	0.0%		
Total All Funds	\$1,305,686,713	\$0	\$0	\$1,305,686,713	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

HRD is funded from general fund, state special revenue, and federal funds. General fund pays:

- State Medicaid match
- State CHIP (Children's Health Insurance Program) match

Functions supported by state special revenue sources and the major source of funds are:

- State Medicaid match
 - Hospital utilization fee (\$50 per day assessed for each day of an inpatient stay)
 - Tobacco revenue from the health and Medicaid initiatives account
 - Insurance tax proceeds allocated to the HMK account
 - Tobacco settlement trust fund interest
- State CHIP match
 - Insurance tax proceeds allocated to the HMK account
 - Tobacco state special revenue from the health and Medicaid initiatives account
 - Tobacco settlement funds
 - Tobacco settlement trust fund interest
- Big Sky Rx (premium assistance for low-income persons to purchase Medicare Part D drug coverage)
 - Tobacco revenue from the health and Medicaid initiatives account

Federal funding sources include:

- Federal Medicaid matching funds
- Federal CHIP grant

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	109,441,719	109,441,719	218,883,438	82.32%	561,378,796	561,378,796	1,122,757,592	85.99%
Statewide PL Adjustments	271,568	270,075	541,643	0.20%	745,010	739,794	1,484,804	0.11%
Other PL Adjustments	17,284,677	24,182,639	41,467,316	15.60%	65,971,871	97,419,228	163,391,099	12.51%
New Proposals	1,697,362	3,311,443	5,008,805	1.88%	6,450,647	11,602,571	18,053,218	1.38%
Total Budget	\$128,695,326	\$137,205,876	\$265,901,202		\$634,546,324	\$671,140,389	\$1,305,686,713	

The majority of the legislative appropriation supports continuation of present law services. A new proposal to increase provider rates by 2% annually is just over 1% of the total. Present law adjustments fund increases in enrollment and service utilization for Medicaid services, HMK, and to a lesser degree Big Sky Rx, and account for the vast majority of the present law adjustments, which total 13% of the 2015 biennium appropriation. General fund changes are driven by Medicaid enrollment and service utilization changes and the provider rate increase.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
FTE	Fiscal 2014				FTE	Fiscal 2015			
	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
Personal Services				758,421					758,672
Vacancy Savings				(137,537)					(137,549)
Inflation/Deflation				102					243
Fixed Costs				124,024					118,428
Total Statewide Present Law Adjustments	\$271,568	\$52,664	\$420,778	\$745,010		\$270,075	\$57,204	\$412,515	\$739,794
DP 50 - Initial Motion to FY 2012 Base	0.00	(271,568)	(52,664)	(745,010)	0.00	(270,075)	(57,204)	(412,515)	(739,794)
DP 51 - Adjustment for Statewide Personal Services	0.00	243,833	3,345	373,706	0.00	244,143	3,183	373,797	621,123
DP 52 - Adjustment for Statewide Operations	0.00	41,068	14,088	68,970	0.00	39,268	13,455	65,948	118,671
DP 53 - Base Funding Switch	0.00	(13,333)	35,231	(21,898)	0.00	(13,336)	40,566	(27,230)	0
DP 11201 - Med Ben Core CLoad Physical Health	0.00	11,379,350	1,202,882	25,939,556	0.00	15,619,731	1,922,071	34,444,713	51,986,515
DP 11202 - Med Ben Other CLoad Medicare Buy-In	0.00	753,027	0	1,479,487	0.00	1,660,466	0	3,255,063	4,915,529
DP 11203 - Med Ben Federal CLoad Physical Health	0.00	0	0	16,075,381	0.00	0	0	21,736,726	21,736,726
DP 11204 - Med Ben Other CLoad Clawback	0.00	1,607,927	0	1,607,927	0.00	2,327,096	0	0	2,327,096
DP 11206 - Med Ben Other CLoad Hospital Utilization Fee	0.00	0	1,349,987	2,652,347	0.00	0	1,351,988	2,650,346	4,002,334
DP 11208 - HMK Medicaid CHIP-Funded Caseload	0.00	0	2,022,077	6,535,170	0.00	0	3,624,219	11,706,657	15,330,876
DP 11209 - HMK Caseload	0.00	1,689,730	936,338	8,487,215	0.00	2,613,601	613,954	10,425,389	13,652,944
DP 11210 - Offset General Fund with HMK State Special Revenue	0.00	0	0	0	0.00	(275,932)	275,932	0	0
DP 11211 - Med Ben SSR Hold Harmless Adjustment	0.00	8,492,260	(8,492,260)	0	0.00	8,492,260	(8,492,260)	0	0
DP 11212 - Big Sky RX Caseload	0.00	0	539,180	539,180	0.00	0	539,180	0	539,180
DP 11213 - Offset HMK/CHIP General Fund - Tobacco Settlement	0.00	(628,453)	628,453	0	0.00	(294,045)	294,045	0	0
DP 11214 - Restrict Medicaid Services Funding	0.00	539	0	539	0.00	539	0	0	539
DP 11221 - One-Time Settlement Costs	0.00	(4,536,911)	0	(2,998,089)	0.00	(4,536,911)	0	(2,998,089)	(7,535,000)
DP 11222 - 2% Reduction to Present Law Medicaid Services	0.00	(2,460,942)	(444,724)	(6,439,344)	0.00	(2,581,668)	(459,110)	(6,754,796)	(9,795,574)
DP 11401 - Med Ben Core FMAP Physical Health	0.00	663,642	(292)	(663,350)	0.00	843,538	(201)	(843,337)	0
DP 11402 - Med Ben Other FMAP Physical Health	0.00	277,600	(100,266)	(177,334)	0.00	267,056	(68,933)	(198,123)	0
DP 11403 - HMK Medicaid CHIP-Funded FMAP	0.00	0	528,360	(528,360)	0.00	0	530,100	(530,100)	0
DP 11404 - HMK FMAP	0.00	0	(9,638)	9,638	0.00	0	(4,571)	4,571	0
DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust	0.00	0	0	107,872	0.00	0	0	164,247	164,247
DP 11602 - Med Admin CPI Contractual Inflationary Adjust	0.00	46,908	0	46,908	0.00	46,908	0	46,908	93,816
Total Other Present Law Adjustments	0.00	\$17,284,677	(\$1,839,903)	\$50,527,097	0.00	\$24,182,639	\$126,414	\$73,110,175	\$97,419,228
Grand Total All Present Law Adjustments	0.00	\$17,556,245	(\$1,787,239)	\$50,947,875	0.00	\$24,452,714	\$183,618	\$73,522,690	\$98,159,022

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 11201 - Medicaid Benefits Core Caseload Physical Health - This present law adjustment adds funds for the increase in the number of eligible people, service utilization, acuity levels, and cost per service for medical care.

DP 11202 - Medicaid Benefits Other Caseload Medicare Buy-In - This present law adjustment supports estimated increases in the number of enrollees and for cost increases in premiums for Medicare Part A and Part B. The Medicaid program purchases Medicare coverage by paying the premiums for persons eligible for both Medicare and Medicaid (dual eligible). Medicare then covers the cost of most services for the individual. Medicaid is liable for the cost of services not covered by Medicare and for some co-insurance and deductibles related to services utilized. The program is mandated by federal law (Title XVIII of the Social Security Act).

DP 11203 - Medicaid Benefits Federal Caseload Physical Health - This present law adjustment adds funds for increased enrollment and service utilization as well as federal rate increases in the Medicaid Indian Health Service (I.H.S.) program. Base level expenditures were \$47.6 million.

DP 11204 - Medicaid Benefits Other Caseload Clawback - This present law adjustment adds general fund for the clawback payment that state Medicaid programs owe to the federal government for savings due to implementation of the Medicare Part D prescription drug program. Some persons are eligible for both Medicaid and Medicare (dual eligible). Prior to passage of the Medicare Modernization Act (MMA) state Medicaid programs paid the drug costs for dual eligibles. Since Medicare assumed those costs, states are required to pay back to the federal government a phased down contribution, known as clawback. The variables governing calculation of the clawback amount are adjusted each year by the federal Centers for Medicare and Medicaid (CMS).

DP 11206 - Medicaid Benefits Other Caseload Hospital Utilization Fee - The legislature added funds for the hospital utilization fee, which is assessed for every inpatient hospital day. The fee is used to match federal Medicaid funds and then redistributed to hospitals as Medicaid reimbursements. The regular Medicaid rate covers about 65% to 68% of the cost of hospital care. Adding the amount from the hospital utilization fees raises Medicaid reimbursement to about 95% to 98% of the cost of hospital care.

The Montana Medicaid program has historically reimbursed the Montana hospitals at a rate less than the cost of providing hospital services to Medicaid clients. Federal regulations require hospitals to provide services to all citizens without regard to ability to pay, and require the hospitals to have a methodology in place to provide charity care to patients who do not have the ability to pay for the hospital services.

The hospital utilization fee and the corresponding federal funding is distributed using disproportionate share payments and hospital reimbursement adjustment payments to allocate the payments to hospitals based on Medicaid inpatient days and Medicaid inpatient/outpatient charges.

DP 11208 - HMK Medicaid CHIP-Funded Caseload - This present law adjustment adds funds for estimated caseload growth for the Healthy Montana Kids eligibility group from families with incomes from 101% to 133% of the federal poverty level. Children in this eligibility group receive Medicaid services and the costs are funded from the CHIP federal grant.

DP 11209 - HMK Caseload - This present law adjustment reflects the caseload growth for the Healthy Montana Kids eligibility group of children in households with family incomes from 134% to 250% of the federal poverty level. Children in this group receive CHIP services funded from the federal CHIP grant.

DP 11210 - Offset General Fund with HMK State Special Revenue - The legislature adopted a 4% projected growth rate for HMK CHIP compared to the executive request, which inflated costs 5.9%. The reduced cost for the HMK CHIP group was used to offset a portion of the general fund cost for the HMK Plus group.

DP 11211 - Med Ben SSR Hold Harmless Adjustment - The legislature added about \$17.0 million general fund over the biennium and reduced state special revenue by a like amount. The state special revenue was a one-time funding source from a portion of the savings due to the temporary increase in the federal Medicaid match rate authorized by the American Reinvestment and Recovery Act of 2009. States were allowed to set aside savings of a small portion of the enhanced federal Medicaid match (the hold harmless component). The legislature appropriated the funds as a one-time source of state Medicaid matching funds.

DP 11212 - Big Sky RX Caseload - This present law adjustment adds tobacco tax state special revenue for Big Sky Rx, which provides subsidies to help purchase Medicare Part D prescription coverage. Persons must be Medicare eligible with incomes under 200% of the federal poverty level.

DP 11213 - Offset HMK/CHIP General Fund - Tobacco Settlement - The legislature used tobacco settlement revenue allocated to the CHIP program to offset the general fund state match for services for the HMK CHIP eligibility group.

DP 11214 - Restrict Medicaid Services Funding - The legislature restricted Medicaid services appropriations to be used only for payment of medical services for persons eligible for Medicaid. The department will be able to transfer appropriations for Medicaid services among divisions, but will not be able to transfer Medicaid appropriations to divisions to be used for other purposes.

DP 11221 - One-Time Settlement Costs - This present law adjustment reduces benefits expenditures that were incurred in FY 2012 for one-time settlement costs for two lawsuits.

DP 11222 - 2% Reduction to Present Law Medicaid Services - The legislature reduced the present law request for Medicaid services administered by the Health Resources Division by 2% each year of the biennium. The reduction was not applied to either the hospital utilization fee or the federal matching funds for the fee. The legislature applied the reduction in two separate actions that reduced present law services by 1%. The first action was taken by the Health and Human Services Joint Appropriation Subcommittee and the second action was taken by the Senate Finance and Claims Committee.

DP 11401 - Medicaid Benefits Core FMAP Physical Health - The legislature adjusted federal Medicaid funds and general fund due to the increase in the federal Medicaid match rate. The state Medicaid match rate will decline from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015. Funding was adjusted for hospital and clinic services, managed care, breast and cervical cancer, pharmacy, and acute care services.

DP 11402 - Medicaid Benefits Other FMAP Physical Health - This present law adjustment adjusts the base year expenses from the FY 2012 FMAP (federal medical assistance participation) rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds and the FY 2015 rate of 33.78% state funds and 66.22% federal funds. The total cost for the program does not change.

DP 11403 - HMK Medicaid CHIP-Funded FMAP - This present law adjustment reflects the anticipated change in the state match rate for CHIP. The state match rate for CHIP in FY 2012 was 23.60% compared to the FY 2014 rate of 23.63% and an estimated rate of 23.64% in FY 2015.

DP 11404 - HMK FMAP - This present law adjustment adjusts funding for the regular change in the Medicaid match rate, which is used to determine the state share of CHIP costs. The state match rate for CHIP in FY 2012 was 23.60% compared to the FY 2014 rate of 23.63% and an estimated rate of 23.64% in FY 2015.

DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust - This adjustment adds federal Medicaid authority for administrative matching funds to match allowable Medicaid costs incurred by schools and tribal nations.

DP 11602 - Med Admin CPI Contractual Inflationary Adjust - This present law adjustment funds contract increases for the Health Resources Division. Contracts are funded 50% general fund and 50% federal funds.

New Proposals

New Proposals		Fiscal 2014				Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11218 - HMK Additional Services										
11	0.00	356,117	0	1,126,469	1,482,586	0.00	382,356	0	1,189,184	1,571,540
DP 11901 - Provider Rate Increase - HMK Group										
11	0.00	0	28,360	91,656	120,016	0.00	0	57,311	185,122	242,433
DP 11902 - Provider Rate Increase - Medicaid Core										
11	0.00	1,341,245	222,362	3,086,642	4,650,249	0.00	2,929,087	229,555	6,230,405	9,389,047
DP 11903 - PRI - HMK/Medicaid CHIP-Funded Group										
11	0.00	0	46,739	151,057	197,796	0.00	0	94,454	305,097	399,551
Total	0.00	\$1,697,362	\$297,461	\$4,455,824	\$6,450,647	0.00	\$3,311,443	\$381,320	\$7,909,808	\$11,602,571

DP 11218 - HMK Additional Services - This new proposal adds funds over the biennium to cover additional benefit costs for Healthy Montana Kids enrollees to obtain necessary services in the HMK program. The new services are non-emergency transportation, durable medical equipment, nutrition, home health, hospice, obesity, chiropractic, and contraceptives.

DP 11901 - Provider Rate Increase - HMK Group - This new proposal funds a 2% provider rate increase in each year of the biennium for the highest income HMK group (FPL level 134-250%). The legislature included language in HB 625 to implement HB 2 to require that DPHHS raise provider rates by 2% annually. The Governor vetoed this bill. At the time of this writing, a veto override poll had been sent to legislators.

DP 11902 - Provider Rate Increase - Medicaid Core - This new proposal funds a 2% provider rate increase in each year of the biennium for most Medicaid services administered by the division. The legislature included language in HB 625 to implement HB 2 to require that DPHHS raise provider rates by 2% annually. The Governor vetoed this bill. At the time of this writing, a veto override poll had been sent to legislators.

DP 11903 - PRI - HMK/Medicaid CHIP-Funded Group - This new proposal funds a 2% provider rate increase in each year of the biennium for the HMK/Medicaid Expansion Group (FPL level 101% to 133%). The legislature included language in HB 625 to implement HB 2 to require that DPHHS raise provider rates by 2% annually. The Governor vetoed this bill. At the time of this writing, a veto override poll had been sent to legislators.

Language and Statutory Authority

The legislature included the following language in HB 2.

“Medicaid Services -- Developmental Services, Medicaid Services -- Health Resources, Medicaid Services -- Senior and Long-Term Care, and Medicaid Services -- Addictive and Mental Disorders may be used only to pay for Medicaid services for eligible Medicaid enrollees for expenses recorded as benefits and claims in the state accounting system and may not be transferred to other uses in the department.

The Department of Public Health and Human Services must use the following amounts of money in the

following appropriations to raise Medicaid provider rates, except those Medicaid services funded by the federal children's health insurance grant, by 2% in fiscal year 2014 and by 2% in fiscal year 2015:

(1) Medicaid Services -- Developmental Services, \$3,755,335 in fiscal year 2014 and \$7,585,778 in fiscal year 2015;

(2) Medicaid Services -- Health Resources, \$4,650,249 in fiscal year 2014 and \$9,389,047 in fiscal year 2015;

(3) Medicaid Services -- Senior and Long-Term Care, \$4,392,560 in fiscal year 2014 and \$8,872,971 in fiscal year 2015; and

(4) Medicaid Services -- Addictive and Mental Disorders, \$1,097,758 in fiscal year 2014 and \$2,217,499 in fiscal year 2015."

"The Department of Public Health and Human Services must use \$317,812 in fiscal year 2014 and \$641,984 in fiscal year 2015 of funds in Health Resources Division to raise provider rates for those services funded from the federal Children's Health Insurance Program grant and for providers who are not paid by a third-party administrator by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	385,797	461,030	468,192	467,679	846,827	935,871	89,044	10.52%
Operating Expenses	7,975,646	7,429,555	8,137,054	10,792,776	15,405,201	18,929,830	3,524,629	22.88%
Grants	0	0	10,578,125	7,039,062	0	17,617,187	17,617,187	n/a
Total Costs	\$8,361,443	\$7,890,585	\$19,183,371	\$18,299,517	\$16,252,028	\$37,482,888	\$21,230,860	130.64%
General Fund	2,090,308	2,195,759	2,137,832	2,824,223	4,286,067	4,962,055	675,988	15.77%
State Special	87,925	39,755	91,668	93,007	127,680	184,675	56,995	44.64%
Federal Special	6,183,210	5,655,071	16,953,871	15,382,287	11,838,281	32,336,158	20,497,877	173.15%
Total Funds	\$8,361,443	\$7,890,585	\$19,183,371	\$18,299,517	\$16,252,028	\$37,482,888	\$21,230,860	130.64%

Program Description

The Medicaid Systems Support Program works in conjunction with the state Medicaid director and division administrators by providing oversight and guidance on management of the Medicaid programs. It also oversees the Medicaid Management Information System (MMIS) contractor that is responsible for the processing and payment of Medicaid claims. The Medicaid and Health Services Branch Manager is attached to this program for budget purposes.

Statutory reference: MCA 2-4-201

Administrative rules: ARM 37.1.101

Program Highlights

Medicaid and Health Services Management Major Budget Highlights	
<ul style="list-style-type: none"> 97.5% of the budget is operating expense related to IT services and systems development, while personal services make up only 2.5% The 131% increase in the budget is due to two main factors: <ul style="list-style-type: none"> \$17 million in federal grants to fund IT initiatives related to health care records previously funded in the Health Resources Division. An increase of \$0.7 million general fund and \$2.3 million federal funds for implementation of a new Medicaid Management Information System (MMIS) 	

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Medicaid And Health Services Management						
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference Statutory Category
General Fund	\$4,962,055	\$0	\$0	\$4,962,055	13.2%	
State Special Total	\$184,675	\$0	\$0	\$184,675	0.5%	
02220 02 Indirect Activity Prog 12	\$184,675	\$0	\$0	\$184,675	0.5%	
Federal Special Total	\$32,336,158	\$0	\$0	\$32,336,158	86.3%	
03305 03 Indirect Activity Prog 12	\$14,718,971	\$0	\$0	\$14,718,971	39.3%	
03580 6901-93.778 - Med Adm 50%	\$17,617,187	\$0	\$0	\$17,617,187	47.0%	
Total All Funds	\$37,482,888	\$0	\$0	\$37,482,888	100.0%	
Percent - Total All Sources	100.0%	0.0%	0.0%			

General fund supports 13% of the funding for the biennium. State special funds derived from indirect charges on all programs within the Medicaid and Health Services branch account for less than 1% in the biennium. Federal revenues support 86% of the funding, including \$17 million in federal grants to fund federal IT initiatives related to health records.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,090,308	2,090,308	4,180,616	84.25%	8,361,443	8,361,443	16,722,886	44.61%
Statewide PL Adjustments	31,352	31,117	62,469	1.26%	83,807	83,119	166,926	0.45%
Other PL Adjustments	16,172	702,798	718,970	14.49%	159,996	2,815,893	2,975,889	7.94%
New Proposals	0	0	0	0.00%	10,578,125	7,039,062	17,617,187	47.00%
Total Budget	\$2,137,832	\$2,824,223	\$4,962,055		\$19,183,371	\$18,299,517	\$37,482,888	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative.

Present Law Adjustments										
FTE	Fiscal 2014					FTE	Fiscal 2015			
	General Fund	State Special	Federal Special	Total Funds			General Fund	State Special	Federal Special	Total Funds
Personal Services				101,904						101,368
Vacancy Savings				(19,509)						(19,486)
Inflation/Deflation				(4)						(3)
Fixed Costs				1,416						1,240
Total Statewide Present Law Adjustments	\$31,352	\$3,696	\$48,759	\$83,807			\$31,117	\$3,671	\$48,331	\$83,119
DP 50 - Initial Motion to FY 2012 Base	0.00	(31,352)	(929)	(61,752)	(94,033)	0.00	(31,117)	(3,671)	(48,331)	(83,119)
DP 51 - Adjustment for Statewide Personal Services	0.00	30,824	866	60,931	92,621	0.00	20,470	861	60,551	81,882
DP 52 - Adjustment for Statewide Operations	0.00	528	62	822	1,412	0.00	463	55	719	1,237
DP 53 - Base Funding Switch	0.00	175	48	(223)	0	0.00	10,338	2,797	(13,135)	0
DP 12101 - MMIS Maint. Contract	0.00	15,997	0	143,999	159,996	0.00	702,644	1,369	2,111,880	2,815,893
Total Other Present Law Adjustments	0.00	\$16,172	\$47	\$143,777	\$159,996	0.00	\$702,798	\$1,411	\$2,111,684	\$2,815,893
Grand Total All Present Law Adjustments	0.00	\$47,524	\$3,743	\$192,536	\$243,803	0.00	\$733,915	\$5,082	\$2,160,015	\$2,899,012

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 12101 - MMIS Maint. Contract - The legislature provided an increase in state and federal authority to support the implementation of the new Management Information System (MMIS) components. The department's new MMIS system is scheduled for implementation in FY 2015.

New Proposals

New Proposals										
Program	Fiscal 2014					FTE	Fiscal 2015			
	FTE	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 12102 - Health Information Technology										
12	0.00	0	0	10,578,125	10,578,125	0.00	0	0	7,039,062	7,039,062
Total	0.00	\$0	\$0	\$10,578,125	\$10,578,125	0.00	\$0	\$0	\$7,039,062	\$7,039,062

DP 12102 - Health Information Technology - This present law adjustment maintains services for the Federal Electronic Health Records initiatives. Prior funding was one-time-only.

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	220.05	220.05	221.05	221.05	220.05	221.05	1.00	0.45%
Personal Services	10,783,866	11,413,008	11,784,778	11,770,762	22,196,874	23,555,540	1,358,666	6.12%
Operating Expenses	7,872,989	8,265,374	8,780,611	10,195,793	16,138,363	18,976,404	2,838,041	17.59%
Equipment & Intangible Assets	111,093	132,303	111,093	111,093	243,396	222,186	(21,210)	(8.71%)
Grants	8,665,823	8,994,341	12,373,156	12,615,529	17,660,164	24,988,685	7,328,521	41.50%
Benefits & Claims	240,910,744	233,267,817	269,324,223	281,469,496	474,178,561	550,793,719	76,615,158	16.16%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	86,284	87,362	76,284	76,284	173,646	152,568	(21,078)	(12.14%)
Total Costs	\$268,430,799	\$262,160,205	\$302,450,145	\$316,238,957	\$530,591,004	\$618,689,102	\$88,098,098	16.60%
General Fund	60,343,797	62,481,031	67,417,789	70,547,355	122,824,828	137,965,144	15,140,316	12.33%
State Special	34,787,255	32,683,758	37,908,055	38,507,435	67,471,013	76,415,490	8,944,477	13.26%
Federal Special	173,299,747	166,995,416	197,124,301	207,184,167	340,295,163	404,308,468	64,013,305	18.81%
Total Funds	\$268,430,799	\$262,160,205	\$302,450,145	\$316,238,957	\$530,591,004	\$618,689,102	\$88,098,098	16.60%

Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs:

The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman and other services;

- 1) Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
- 2) Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 82 Montana nursing homes;
- 3) Protective services, including the investigation of abuse neglect and exploitation are provided by adult protective services social workers;
- 4) Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans Home in Glendive; and
- 5) The State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401, MCA (authorizes and establishes Montana Veteran's Homes); 53-1-602, MCA (Eastern Montana Veteran's Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Highlights

Senior and Long Term Care Division Major Budget Highlights	
♦	The 2015 biennium request grows \$88.1 million (\$15.1 million general fund) compared to the 2013 biennium budget
♦	Major changes are: <ul style="list-style-type: none"> • Expansion of Medicaid community services for disabled and elderly persons - \$17.1 million federal funds • Authorization for increased spending authority for county funded intergovernmental transfer payments to increase nursing home rates - \$14.5 million • Implementation of a 2% annual provider rate increase - \$13.9 million total funds (\$5.1 million general fund) • Utilization and enrollment increases for Medicaid services and changes in the federal Medicaid match rate - \$9.2 million total funds (\$3.0 million general fund) • Expansion of federal funding for aging services - \$4.4 million • Continuation of a one-time appropriation for community aging services and a \$1.0 million increase for a total of \$4.0 million general fund

Program Narrative

The Senior and Long Term Care Division (SLTC) appropriation for the 2015 biennium is \$88.1 million higher than the 2013 biennium, including \$15.1 million general fund. However, legislative appropriations are based on the difference between the base budget (FY 2012) and the estimated cost each year of the 2015 biennium. Legislative appropriations above base budget spending total \$81.8 million. Changes compared to the base budget are lower than the biennium to biennium comparison because the appropriation for FY 2013 is included in the biennial comparison and it is \$6.3 million lower than the base budget.

Major changes authorized by the legislature compared to base budget expenditures include:

- A new Medicaid state plan amendment that provides an enhanced federal match rate to provide additional community services for persons who otherwise could qualify for nursing home care - \$17.1 million federal funds
- An increase in transfers of county funds (IGT) that support nursing homes to use as state Medicaid match and increase nursing home reimbursement - \$14.4 million
- A 2% annual provider rate increase - \$13.9 million total funds, including \$5.1 million general fund
- A continuation of one-time appropriations for provider rate increases to fund direct care workers wage increases, meal preparation in personal assistance services, and nonMedicaid community services - \$11.5 million total funds, including \$6.9 million general fund
- Net increases in other Medicaid services - \$9.3 million total funds, including \$3.1 million general fund
- An increase in federal categorical grants for aging services - \$4.4 million
- An increase in funding to partially offset a reduction in community services for elderly and physically disabled persons that was instituted in late FY 2013 - \$1.5 million
- An increase to add community waiver services for 50 more persons - \$1.2 million
- An appropriation to operate the new Southwest Montana Veterans' Home - \$1.2 million, and inflation and operating cost increases for the other two veteran's homes - \$1.4 million

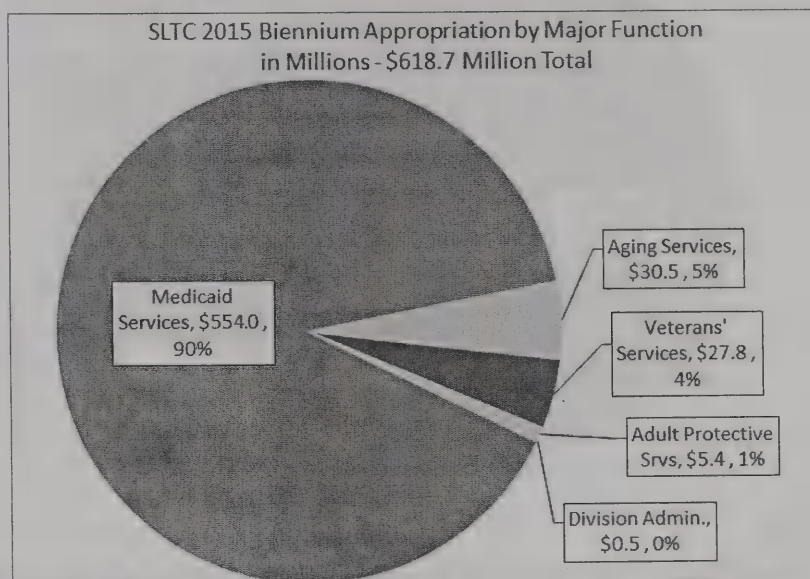
Line Item Veto

The legislature approved a provider rate increase for Medicaid nursing home services of \$5.8 million, including \$2.0 million general fund. The Governor removed this appropriation via line item veto after the legislature had adjourned.

Division Appropriation Characteristics

The SLTC division appropriation is 18% of the \$3.5 billion appropriated to DPHHS, including 15% of the total \$906.9 general fund appropriation to DPHHS. Figure 20 shows the appropriation by major division function.

Figure 20



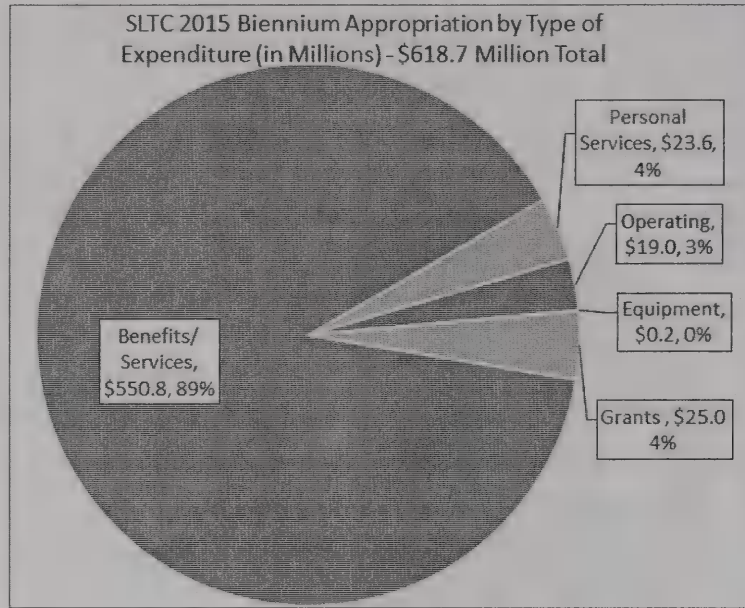
Medicaid services are the largest function with 90% of the appropriation and are the major cost driver for the division. The Medicaid services function includes both payments for medical services for eligible individuals as well as administrative costs for the program. Aging services account for 5% of the appropriation, while veterans' services – three veterans' nursing facilities – are 4% of the total. Adult protective services are 1% of the total division appropriation while division administration is less than 1%.

Appropriations by Type of Expenditure

Figure 2 shows the 2015 biennium appropriation for SLTC by type of expenditure. Payment for benefits or medical services for persons who meet financial and other eligibility criteria total \$550.8 million or 80% of the appropriation. Benefits and services includes Medicaid services primarily as well as adult protective services, state supplement payments, and short term housing services. Personal services and grants costs are each 4% of the total appropriation, while operating costs are 3% and equipment is less than 1%. Grants are distributed to agencies that contract with DPHHS to provide community services for the elderly and disabled such as:

- Feeding programs including congregate and meals on wheels
- Home maker services
- Elder abuse prevention
- Ombudsman services
- Health information counseling
- Caregiver support services

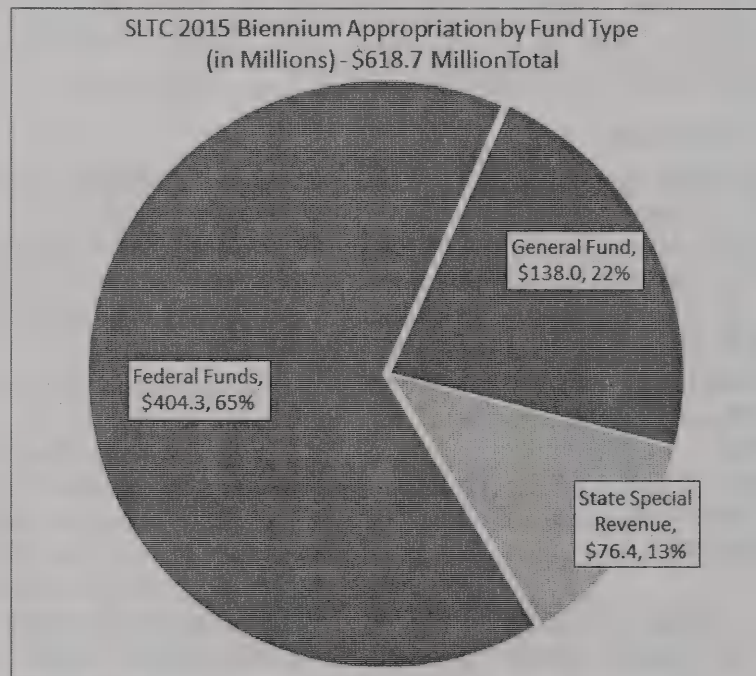
Figure 21



Appropriations by Fund Type

Figure 21 shows the SLTC 2015 biennium appropriation by fund type. Federal funds – primarily Medicaid matching funds – are 65% of the total. General fund is 22% and state special revenue is 13%. The Funding section discusses individual fund sources in greater detail.

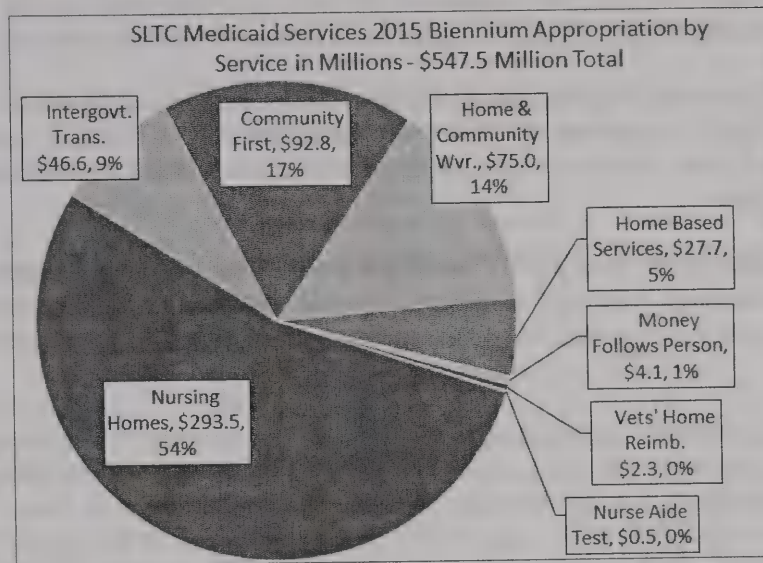
Figure 22



Medicaid Services Appropriations

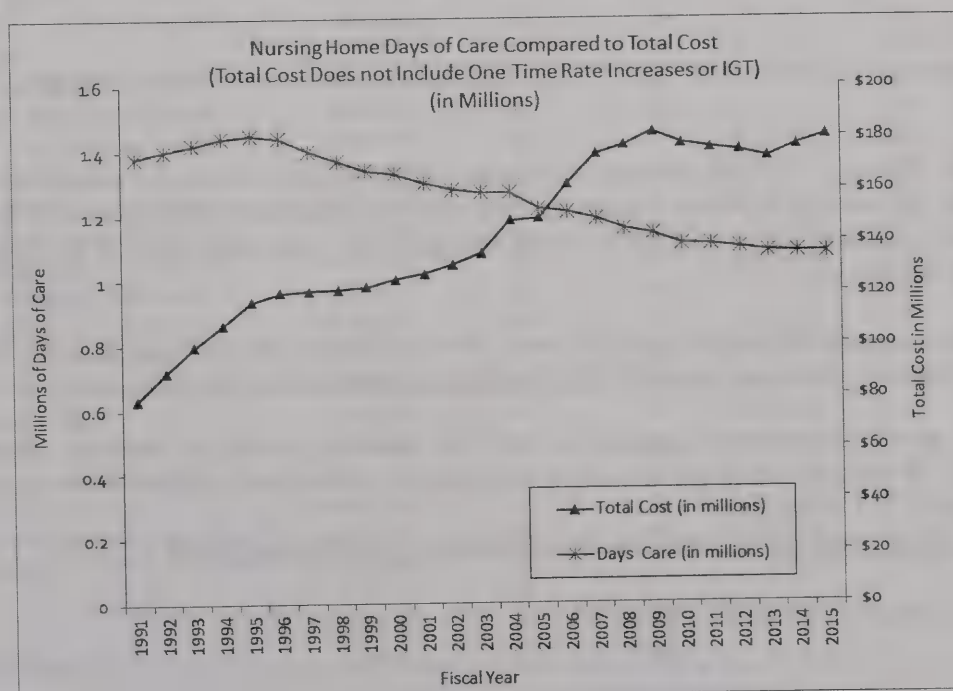
Figure 23 shows the 2015 biennium appropriation for Medicaid services administered by SLTC. Nursing home services are 54% of the total appropriation.

Figure 23



Medicaid nursing home services appropriation estimates are based on the number of days of care multiplied by the cost per day. Figure 24 shows the total days of care compared to the total cost of nursing home services from FY 1991 through the estimated days of care and total appropriation for nursing home services in the 2015 biennium. Total cost does not include the intergovernmental transfer (discussed in greater detail on the following page) or other one-time appropriations that raised provider rates.

Figure 24



Nursing home days of care peaked in FY 1995 at about 1.5 million and have slowly declined since then to a projected level of 1.1 million in each year of the 2015 biennium. Total cost steadily increased through FY 2010 due to provider rate increases. Total costs declined from FY 2010 through FY 2013 due to a decrease in the number of days of care and because temporary provider rate increases are not included in Figure 5. In FY 2010, continuing through the end of FY 2011, the legislature approved a one-time rate increase of 2% and a one-time rate increase dependent on nursing homes raising wages of direct care workers.

The total cost for nursing home care is projected to increase in the 2015 biennium due to the 2% annual rate increase approved by the legislature and because the legislature appropriated funds to continue rate increases tied to direct care worker wage increases and made the direct care worker wage appropriation an ongoing part of the nursing home Medicaid services appropriation.

The intergovernmental transfer (IGT) from county funds that are used for county administered nursing homes is used as state match to draw down federal Medicaid funds and provide additional reimbursements to nursing homes. IGT payments are considered one-time payments since federal regulations governing the payments could alter the allowable use of county funds.

Community First services are a new Medicaid state plan option that provides a 6% increase in the federal Medicaid match rate for home and community attendant services to persons who would need nursing home care if they were not provided services in a community setting. Services for each participant must be based on an individual care plan developed through an assessment of the individual's functional need. As part of the option, states must provide:

- Assistance with activities and instrumental activities of daily living (ADLs and IADLs) and health-related tasks, including hands-on assistance, cuing, and supervision
- Acquisition, maintenance, and enhancement of skills to complete those tasks
- Back-up systems, such as beepers, that will ensure continuity of care and support
- Training on hiring and dismissing attendants, if desired by the individual

Home and community based waiver services are 14% of the total appropriation and include services that are designed to help maintain low income elderly and physically disabled persons in a community setting who otherwise would need facility based care. Waiver services are not an entitlement and the number of service slots is limited to the appropriation available.

Home based services are 5% of the appropriation and include home health and hospice services. These services are an entitlement.

Money Follows the Person is a 5 year demonstration grant that provides a temporary reduction in the state Medicaid matching rate to pay for services to people who are already receiving Medicaid funded care in an institutional setting and choose to move into certain types of community living arrangements. The state match is reduced by 50% for the first year of transitional services.

A detailed description of each legislative change for each Medicaid service can be found in Table 22-A at this link: <http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/22A-SLTC.pdf>

The state veterans' homes receive reimbursement for Medicaid services provided to Medicaid eligible veterans and their spouses and are 1% of the total Medicaid services appropriation. A summary of appropriations supporting each home can be found in Table 22-B at this link:

<http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/22B-SLTC.pdf>

Nurse aide testing is less than 1% of the appropriation.

Detailed Division Appropriation Information

Detailed division appropriation information for SLTC can be found at this link:

<http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/22C-SLTC.pdf>

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Senior & Long-Term Care							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$137,965,144	\$0	\$0	\$137,965,144	22.3%		
State Special Total	\$76,415,490	\$0	\$0	\$76,415,490	12.4%		
02023 Private Ins. Medicaid Reim.-ve	\$9,912,842	\$0	\$0	\$9,912,842	1.6%		
02032 Vets-i&i Lease	\$37,948	\$0	\$0	\$37,948	0.0%		
02053 Medicaid Nursing Home Match	\$16,858,431	\$0	\$0	\$16,858,431	2.7%		
02244 Misc Fees	\$0	\$0	\$0	\$0	0.0%		
02260 Cigarette Tax Revenue	\$5,028,352	\$0	\$0	\$5,028,352	0.8%		
02497 6901-lien & Estate - Sltd	\$2,218,348	\$0	\$0	\$2,218,348	0.4%		
02772 Tobacco Hlth & Mediced Initiative	\$21,392,324	\$0	\$0	\$21,392,324	3.5%		
02783 6901-traumatic Brain Injury Dn	\$7,994	\$0	\$0	\$7,994	0.0%		
02959 Emvh Clinic Rent	\$67,318	\$0	\$0	\$67,318	0.0%		
02987 Tobacco Interest	\$2,278,203	\$0	\$0	\$2,278,203	0.4%		
02990 69010-nursing Home Utilization	\$18,613,730	\$0	\$0	\$18,613,730	3.0%		
Federal Special Total	\$404,308,468	\$0	\$0	\$404,308,468	65.3%		
03005 Emvh V-a Nursing Reimbursement	\$4,466,612	\$0	\$0	\$4,466,612	0.7%		
03073 Aging - Farmers Market	\$199,050	\$0	\$0	\$199,050	0.0%		
03112 Vets-v.a. Reimb	\$7,044,517	\$0	\$0	\$7,044,517	1.1%		
03193 Mippa Aaa	\$91,630	\$0	\$0	\$91,630	0.0%		
03202 Mippa Cms	\$127,244	\$0	\$0	\$127,244	0.0%		
03279 Sltc Lifespan Respite	\$367,500	\$0	\$0	\$367,500	0.1%		
03456 69010-aoa Aging One-stop Shop	\$144,972	\$0	\$0	\$144,972	0.0%		
03501 64.014 - Vets St. Domic Care 1	\$295,793	\$0	\$0	\$295,793	0.0%		
03511 Sw Mt Vet Home Cnstr	\$1,113,615	\$0	\$0	\$1,113,615	0.2%		
03514 10.570 - Elderly Feeding 100%	\$2,337,619	\$0	\$0	\$2,337,619	0.4%		
03515 93.041 - Elder Abuse Prev 100%	\$29,899	\$0	\$0	\$29,899	0.0%		
03516 93.042 - Ombudsman Activity 10	\$195,079	\$0	\$0	\$195,079	0.0%		
03517 93.043 - Preventive Hlth 100%	\$229,597	\$0	\$0	\$229,597	0.0%		
03518 93.044 - Aging Sup S & Train 1	\$3,782,872	\$0	\$0	\$3,782,872	0.6%		
03519 93.045 - Aging Meals 100%	\$6,927,946	\$0	\$0	\$6,927,946	1.1%		
03537 93.779 - Hlth Info Counseling	\$767,942	\$0	\$0	\$767,942	0.1%		
03563 Community Living	\$647,952	\$0	\$0	\$647,952	0.1%		
03579 93.667 - Ssbj - Benefits	\$600,002	\$0	\$0	\$600,002	0.1%		
03580 6901-93.778 - Med Adm 50%	\$4,312,658	\$0	\$0	\$4,312,658	0.7%		
03583 93.778 - Med Ben Fmap	\$368,984,925	\$0	\$0	\$368,984,925	59.6%		
03666 Aging - Caregiver Iii-e	\$1,606,076	\$0	\$0	\$1,606,076	0.3%		
03819 Mippa Adrc	\$34,968	\$0	\$0	\$34,968	0.0%		
Total All Funds	\$618,689,102	\$0	\$0	\$618,689,102	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

SLTC is funded by general fund, state special revenue, and federal funds. General fund supports:

- State Medicaid match
- Aging services
- Adult protective services
- Administrative costs

General fund increases due to:

- Provider rate increases
- Growth in Medicaid costs
- Grants to Area Agencies on Aging

State special revenue supports:

- State Medicaid match
- State veterans' homes
- Adult protective services
- Administrative costs

Most state revenue sources are used as a match for Medicaid services including:

- Nursing home utilization fee
- Health and Medicaid initiative tobacco tax revenue
- County intergovernmental transfer revenues (IGT)

Another significant source of state special revenue is the cigarette tax dedicated to the veterans' homes. Figure 25 shows the estimated revenues and appropriations for the account. Funds in excess of \$2 million at fiscal yearend are transferred to the general fund.

Figure 25

Senior and Long Term Care Division Veterans' Services - Cigarette Tax Fund Balance					
Fund Balance	Actual	Legislative Appropriations			% of
Deposits/Expenditures	FY 2012	FY 2013	FY 2014	FY 2015	Total
Beginning Fund Balance*	\$2,226,269	\$2,000,000	\$2,000,000	\$2,000,000	
Revenue/Transfers In**					
Cigarette Tax	5,952,337	5,859,000	5,754,000	5,577,000	
Total Available for Appropriation	8,178,606	7,859,000	7,754,000	7,577,000	
Expenditures/Transfers Out**					
<u>Veterans' Homes Operations</u>					
Montana Veterans' Home	1,463,345	3,062,149	2,078,063	2,073,745	69.7%
Eastern Montana Veterans' Home	252,976	272,975	245,758	245,043	8.2%
Southwest Montana Veterans' Home	0	0	58,184	206,703	6.9%
<u>Long Range Building</u>					
Southwest Montana Veterans' Home	3,675,615	0	0	0	0.0%
<u>DPHHS Administrative Costs</u>					
Agency cost Allocated Administration	290,785	337,311	371,042	389,594	13.1%
SLTC Division Admin Cost	59,899	69,483	60,326	60,530	2.0%
Subtotal Expenditures	5,742,620	3,741,917	2,813,373	2,975,615	100.0%
Annual Rate of Increase		-34.8%	-24.8%	5.8%	
<u>Other</u>					
Transfer to the General Fund**	206,103	2,117,083	2,940,627	2,601,385	
Adjustments	229,883	0	0	0	
Subtotal Other	435,986	2,117,083	2,940,627	2,601,385	
Ending Fund Balance	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	
* Statute requires that at fiscal year end unexpended cash balances in excess of \$2.0 million be transferred to the general fund.					
** Revenue estimates are based on those included in SJ 2. Expenditures do not include costs expected due to passage of HB 13, the pay plan bill, which will lower the estimated transfer to the general fund in FY 2014 and FY 2015.					

Federal funds support:

- Medicaid costs
- NonMedicaid community services
- Veterans' homes services

Federal funds increase over the 2015 biennium due to:

- Higher Medicaid services costs
- Two new proposals to expand community services for persons who meet the level of care requirements for nursing home care
- Increases in federal aging services block grants
- Increases in federal veterans' administration per diem payments for nursing care services

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	60,343,797	60,343,797	120,687,594	87.48%	268,430,799	268,430,799	536,861,598	86.77%
Statewide PL Adjustments	115,846	116,935	232,781	0.17%	531,018	521,971	1,052,989	0.17%
Other PL Adjustments	1,001,168	2,136,692	3,137,860	2.27%	12,577,191	17,189,064	29,766,255	4.81%
New Proposals	5,956,978	7,949,931	13,906,909	10.08%	20,911,137	30,097,123	51,008,260	8.24%
Total Budget	\$67,417,789	\$70,547,355	\$137,965,144		\$302,450,145	\$316,238,957	\$618,689,102	

The majority of the SLTC budget supports continuation of current level services. About 8% of the request funds new proposals for a 2% annual provider increase, a new option for Medicaid community services that draws down an additional 6% in federal Medicaid matching funds, and legislative initiatives to continue one-time appropriations that support provider payments for reimbursements to direct care workers, expansion of community waiver services to an additional 50 people, and funds to partially offset a reduction in waiver services.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
Fiscal 2014					Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					980,381					950,135
Vacancy Savings					(470,570)					(469,363)
Inflation/Deflation					(5,244)					8,826
Fixed Costs					26,451					32,373
Total Statewide Present Law Adjustments										
	\$115,846	\$223,892	\$191,280	\$531,018		\$116,935	\$212,542	\$192,494	\$521,971	
DP 50 - Initial Motion to FY 2012 Base	0.00	(115,846)	(223,892)	(191,280)	(531,018)	0.00	(116,935)	(212,542)	(192,494)	(521,971)
DP 51 - Adjustment for Statewide Personal Services	0.00	79,874	128,979	300,958	509,811	0.00	80,042	109,996	290,734	480,772
DP 52 - Adjustment for Statewide Operations	0.00	(3,307)	14,907	9,607	21,207	0.00	(2,104)	27,110	16,193	41,199
DP 53 - Base Funding Switch	0.00	39,279	80,006	(119,285)	0	0.00	38,997	75,436	(114,433)	0
DP 22201 - Med Ben Core Caseload Nursing Homes	0.00	(805,418)	0	(1,582,420)	(2,387,838)	0.00	(792,341)	0	(1,553,250)	(2,345,591)
DP 22202 - Med Ben Core FMAP Nursing Homes	0.00	(114,492)	0	114,492	0	0.00	(43,427)	0	43,427	0
DP 22203 - Med Ben Core Caseload Home Based	0.00	1,575,388	0	3,095,197	4,670,585	0.00	2,523,854	0	4,947,591	7,471,445
DP 22204 - Med Ben Core FMAP Home Based	0.00	(16,073)	0	16,073	0	0.00	6,165	0	(6,165)	0
DP 22205 - Med Ben Waiver Caseload SLTC HCBW	0.00	130,615	0	256,622	387,237	0.00	130,809	0	256,428	387,237
DP 22206 - Med Ben Waiver FMAP SLTC HCBW	0.00	(17,452)	0	17,452	0	0.00	551	0	(551)	0
DP 22207 - Med Ben Other HCHCW Annualization	0.00	180,814	0	355,250	536,064	0.00	181,082	0	354,982	536,064
DP 22208 - Med Ben Other NH IGT	0.00	0	2,209,963	4,341,959	6,551,922	0.00	0	2,650,410	5,195,680	7,846,090
DP 22209 - Med Ben Other FMAP NH IGT	0.00	0	(25,759)	25,759	0	0.00	0	(17,709)	17,709	0
DP 22210 - Required Overtime/Holiday/Differential Pay	0.00	0	418,520	0	418,520	0.00	0	433,463	0	433,463
DP 22211 - Facility Inflation MVH	0.00	0	133,163	0	133,163	0.00	0	185,617	0	185,617
DP 22212 - Fed Authority for VA Per Diem MVH	0.00	0	(104,416)	104,416	0	0.00	0	(165,610)	165,610	0
DP 22213 - Fed Authority for VA Per Diem EMVH	0.00	0	0	64,914	64,914	0.00	0	0	99,842	99,842
DP 22214 - Aging Grant Funding	0.00	0	0	2,075,612	2,075,612	0.00	0	0	2,319,771	2,319,771
DP 22215 - State Supplemental Payments	0.00	33,772	0	0	33,772	0.00	67,651	0	0	67,651
DP 22216 - Motor Pool Car Request	0.00	2,092	0	373	2,465	0.00	2,092	0	373	2,465
DP 22217 - Private Lease Adjustment	0.00	3,955	0	860	4,815	0.00	10,557	0	1,986	12,543
DP 22218 - EMVH Rent Annualization Fund Switch	0.00	0	0	0	0	0.00	0	0	0	0
DP 22219 - Contractual Adjustments	0.00	27,967	0	57,993	85,960	0.00	49,699	0	122,768	172,467
DP 22220 - Restrict Medicaid Services Funding	0.00	0	0	0	0	0.00	0	0	0	0
Total Other Present Law Adjustments										
	0.00	\$1,001,168	\$2,631,471	\$8,944,552	\$12,577,191	0.00	\$2,136,692	\$3,086,171	\$11,966,201	\$17,189,064
Grand Total All Present Law Adjustments										
	0.00	\$1,117,014	\$2,855,363	\$9,135,832	\$13,108,209	0.00	\$2,253,627	\$3,298,713	\$12,158,695	\$17,711,035

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide present law personal services adjustments and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 22201 - Med Ben Core Caseload Nursing Homes - This adjustment funds anticipated changes in the Medicaid nursing facility program. The number of days of nursing home care is anticipated to decline compared to the number funded in FY 2012.

DP 22202 - Med Ben Core FMAP Nursing Homes - The legislature adjusted Medicaid services funding for the projected reduction in state Medicaid match rates. The state match rate will decrease to 33.73% in FY 2014 and an estimated 33.78% in FY 2015 compared to the FY 2012 base level of 33.79%.

DP 22203 - Med Ben Core Caseload Home Based - This adjustment funds anticipated caseload increases for Medicaid home based services, which include personal assistance, home health, and hospice. The adjustment adds about 5% per year for traditional personal assistance services, about 13% for mental health personal assistance services, and about 11% for hospice services per year from FY 2012 through FY 2015. DP 22222 implements the Community First Choice Option, and transfers personal assistance services to a new category.

DP 22204 - Med Ben Core FMAP Home Based - The legislature adjusted Medicaid services funding for the projected reduction in state Medicaid match rates. The state match rate will decrease to 33.73% in FY 2014 and an estimated 33.78% in FY 2015 compared to the FY 2012 base level of 33.79%.

DP 22205 - Med Ben Waiver Caseload SLTC HCBW - The legislature added funds to annualize the cost of nursing facility transition and diversions from institutional placements into community settings. 82 individuals transitioned at different times during FY 2012 from nursing facilities to home and community based waiver placements, resulting in less than a full year of expenditures being included in the FY 2012 base year.

DP 22206 - Med Ben Waiver FMAP SLTC HCBW - The legislature adjusted Medicaid services funding for the projected reduction in state Medicaid match rates. The state match rate will decrease to 33.73% in FY 2014 and an estimated 33.78% in FY 2015 compared to the FY 2012 base level of 33.79%.

DP 22207 - Med Ben Other HCHCW Annualization - The legislature approved funding to annualize the Medicaid-funded health care for health care worker program. Provider rate increases are given to Medicaid service providers that offer health insurance that meets certain requirements to direct care workers. This proposal funds the increase in provider rates that occurred January 1, 2012.

DP 22208 - Med Ben Other NH IGT - The legislature funded the anticipated increase in IGT intergovernmental payments. The difference in the Medicaid rate and the Medicare upper payment limit (UPL) will allow a higher level of reimbursement compared to base year expenditures. The state match is provided by county governments. The legislature restricted the appropriation and added the following language governing the use of the appropriation: "County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home IGT may be expended only after the office of budget and program planning has certified that the department has collected the amount that is necessary to make one-time payments to nursing homes based on the number of Medicaid services provided and to fund the base budget in the nursing facility program and the community services program at the level of \$564,785 from counties participating in the intergovernmental transfer program for nursing facilities."

DP 22209 - Med Ben Other FMAP NH IGT - The legislature adjusted Medicaid services funding for the projected reduction in state Medicaid match rates. The state match rate will decrease to 33.73% in FY 2014 and an estimated 33.78% in FY 2015 compared to the FY 2012 base level of 33.79%.

DP 22210 - Required Overtime/Holiday/Differential Pay - This present law adjustment funds overtime, holidays worked, differential pay, and the corresponding benefits for the Montana Veterans' Home personal services related to operating a facility with 24-hour staffing requirements. The funding includes support of aggregate positions, which are used to provide coverage for staff on sick leave or vacation. Funding is from cigarette tax state special revenue. These expenses are zero-based and must be added in full each biennium.

DP 22211 - Facility Inflation MVH - This present law adjustment funds inflationary increases in operations, medical, and pharmacy costs.

DP 22212 - Fed Authority for VA Per Diem MVH - Federal authority was added for the federal Veterans' Administration per diem rates that will be reimbursed for the domiciliary and nursing facility days of care at MVH in the 2015 biennium. VA per diem rates change on October 1st of each year, and this adjustment assumes a 2% increase in the per diem payments in each year of the biennium. This funding shifts expenses from state special revenue (cigarette taxes) to federal funds.

DP 22213 - Fed Authority for VA Per Diem EMVH - The legislature added federal authority for the federal Veterans' Administration per diem rates that will be reimbursed for the nursing facility days of care at Eastern Montana Veterans' Home (EMVH) in the 2015 biennium. The VA per diem rate increases are effective October 1st of each year. This adjustment is based on an estimated 2% annual increase. The federal VA payments are passed through to the contractor, who operates this facility.

DP 22214 - Aging Grant Funding - This present law adjustment adds appropriation authority for anticipated federal grant increases for aging services. These grants are awarded as renewal contracts to the Area Agencies on Aging and are funded with 100% federal funds.

DP 22215 - State Supplemental Payments - This present law adjustment adds general fund to pay the anticipated cost of state supplemental payments for an additional 25 individuals who will be moving from institutional disability services into the community each year of the biennium. State supplemental payments provide a monetary addition to the Social Security payment made to SSI eligible individuals who reside in designated residential care facilities. Monthly benefits are \$94. In addition, DPHHS pays the Social Security Administration an administrative fee to process the payments. The administrative fee is estimated to be \$11.12 in 2014 and \$11.30 in 2015 per payment.

DP 22216 - Motor Pool Car Request - The legislature funded replacement of three cars used by Adult Protective Services and Community Services field staff. The cars being replaced were department-owned vehicles in Billings, Kalispell, and Great Falls. These vehicles were older and high mileage vehicles that were surplus as a result of repairs exceeding the value of the vehicle.

DP 22217 - Private Lease Adjustment - This adjustment funds work space for employees in non-state owned buildings located throughout the state.

DP 22218 - EMVH Rent Annualization Fund Switch - The legislature funded the lease agreement between the federal Veterans' Administration and the state to pay for space occupied by the Community Based Outpatient Clinic at the Eastern Montana Veterans' Home. Base year costs were funded from cigarette tax revenues. This adjustment is a fund switch to reduce state special revenue from cigarette tax and replace it with state special revenue from the lease payments made under this agreement by the Veterans' Administration.

DP 22219 - Contractual Adjustments - The legislature provided additional funds for two contracts. One contract provides utilization review, level of care determinations, and prior authorization activities for programs in the division.

Other costs provide for maintenance and enhancements to the Adult Protective Services computerized database used for tracking and reporting on abuse, neglect, and exploitation activities.

DP 22220 - Restrict Medicaid Services Funding - The legislature restricted Medicaid services appropriations to be used only for payment of medical services for persons eligible for Medicaid. The department will be able to transfer appropriations for Medicaid services among divisions, but will not be able to transfer Medicaid appropriations to divisions to be used for other purposes.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - Aging Services										
22	0.00	2,000,000	0	0	2,000,000	0.00	2,000,000	0	0	2,000,000
DP 22102 - Southwest Montana Veterans' Home										
22	1.00	0	58,184	0	58,184	1.00	0	206,703	1,113,615	1,320,318
DP 22222 - Med Ben Personal Assistance Services Refinance										
22	1.00	0	0	7,123,086	7,123,086	1.00	0	0	9,954,162	9,954,162
DP 22901 - PRI Med Ben Core Nursing Homes										
22	0.00	958,145	0	1,882,487	2,840,632	0.00	1,938,322	0	3,799,755	5,738,077
DP 22902 - PRI Med Ben Core Home Based Services										
22	0.00	276,720	0	543,679	820,399	0.00	559,804	0	1,097,401	1,657,205
DP 22903 - PRI Med Ben Waiver SLTC										
22	0.00	246,745	0	484,784	731,529	0.00	499,163	0	978,526	1,477,689
DP 22904 - PRI - Aging Services										
22	0.00	209,887	0	0	209,887	0.00	423,971	0	0	423,971
DP 22905 - Expand Home and Community Based Waiver										
22	0.00	179,899	0	353,449	533,348	0.00	240,220	0	470,910	711,130
DP 22906 - Personal Services Meal Preparation										
22	0.00	250,763	0	492,680	743,443	0.00	251,135	0	492,308	743,443
DP 22907 - Direct Care Worker Wage Increase (RST)										
22	0.00	1,684,819	0	3,310,196	4,995,015	0.00	1,687,316	0	3,307,699	4,995,015
DP 22910 - Remove Funding for Long Term Vacant Position										
22	(1.00)	0	(46,402)	0	(46,402)	(1.00)	0	(46,084)	0	(46,084)
DP 22911 - Short Term Housing Assistance (RST/OTO)										
22	0.00	100,000	0	0	100,000	0.00	300,000	0	0	300,000
DP 22912 - Traumatic Brain Injury (OTO)										
22	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 22913 - Partially Restore Community Waiver Services (RST)										
22	0.00	0	253,655	498,361	752,016	0.00	0	260,848	511,349	772,197
Total	1.00	\$5,956,978	\$265,437	\$14,688,722	\$20,911,137	1.00	\$7,949,931	\$421,467	\$21,725,725	\$30,097,123

DP 22101 - Aging Services - This new proposal continues funding to support aging programs administered by Area Agencies on Aging. The one-time funding was initially added by the 2009 Legislature and then continued as a one-time appropriation by the 2011 Legislature. The 2013 Legislature removed the one-time designation.

DP 22102 - Southwest Montana Veterans' Home - This adjustment funds ongoing operating costs, including 1.00 FTE state liaison, and the federal VA per diem revenue pass through for the Southwest Montana Veterans' Home (SMVH) in Butte. Federal budget legislation includes funding for 65% of the cost of construction for the facility if the construction grant is approved during FY 2013. SMVH is a 60-bed cottage concept campus that will be operated as a contracted state veterans' home and requires that a state liaison be on site at the facility. The funding is based on the assumption that the facility will be completed by June 2014 with startup and maintenance costs starting in FY 2015. The legislature made the FY 2015 portion of the appropriation contingent on approval of federal funding for construction of the facility.

DP 22222 - Med Ben Personal Assistance Services Refinance - This new proposal will fund the DPHHS goal of rebalancing its long term services and supports system with increased use of home and community based care and decreased use of facility based care. This proposal targets the full spectrum of consumers, including elderly, individuals with developmental disabilities, people with physical disabilities, and adults with severe disabling mental illness. There are two separate programs rolled into this DP – Community First Choice – an optional Medicaid service that will continue, and Money Follows the Person – a 5 year demonstration grant.

Figure 26 shows the changes made to the Medicaid home based services appropriation amounts and the reallocation of general fund among the Community First Choice option, Money Follows the Person grant, and home based services.

Figure 26

Total Change Included in DP 2222 Med Ben Personal Assistance Services Refinance						
Component	FY 2014			FY 2015		
	General Fund	Federal	Total	General Fund	Federal	Total
Community First Choice Admin	\$85,161	\$186,885	\$272,046	\$71,095	\$144,687	\$215,782
Community First Choice Services	10,634,110	27,996,566	38,630,676	14,942,735	39,241,560	54,184,295
Money Follows the Person Services	409,280	804,120	1,213,400	619,951	1,215,308	1,835,259
Reduction to Home Based Services	(11,128,551)	(21,864,485)	(32,993,036)	(15,633,781)	(30,647,393)	(46,281,174)
Annual Change	\$0	\$7,123,086	\$7,123,086	\$0	\$9,954,162	\$9,954,162
Total Biennial Change - Federal Funds						\$17,077,248

DP 22901 - PRI Med Ben Core Nursing Homes - This new proposal funds a 2% provider rate increase in each year of the biennium for nursing home Medicaid services. The legislature directed DPHHS to raise provider rates 2% each year of the biennium, and included the requirement in HB 625, the bill to implement HB 2. At the time of this writing the Governor had vetoed the bill and a veto override poll has been sent to legislators.

DP 22902 - PRI Med Ben Core Home Based Services - This new proposal funds a 2% provider rate increase in each year of the biennium for Medicaid home based services. The legislature directed DPHHS to raise provider rates 2% each year of the biennium, and included the requirement in HB 625, the bill to implement HB 2. At the time of this writing the Governor had vetoed the bill and a veto override poll has been sent to legislators.

DP 22903 - PRI Med Ben Waiver SLTC - This new proposal funds a 2% provider rate increase in each year of the biennium for Medicaid community services. The legislature directed DPHHS to raise provider rates 2% each year of the biennium, and included the requirement in HB 625, the bill to implement HB 2. At the time of this writing the Governor had vetoed the bill and a veto override poll has been sent to legislators.

DP 22904 - PRI - Aging Services - This adjustment funds a 2% provider rate increase in each year of the biennium for aging services. The rate increase is funded entirely from the general fund. The legislature directed DPHHS to raise provider rates 2% each year of the biennium, and included the requirement in HB 625, the bill to implement HB 2. At the time of this writing the Governor had vetoed the bill and a veto override poll has been sent to legislators.

DP 22905 - Expand Home and Community Based Waiver - The legislature appropriated funds to increase the home and community based waiver administered by SLTC to serve an additional 50 persons. The funding is based on persons being served for three quarters of FY 2014 due to anticipated start up, with full funding for 50 persons in FY 2015. The appropriation is restricted to adding waiver slots above the level funded from the Money Follows the Person grant discussed in DP 22222.

DP 22906 - Personal Services Meal Preparation - The legislature added funds to continue the FY 2012 level of meal preparation services as part of personal assistance services funding. These services were supported by a one-time appropriation in the 2013 biennium. This appropriation continues the services, removes the one-time designation, and restricts the use of funds.

DP 22907 - Direct Care Worker Wage Increase (RST) - The legislature added funds to continue lump sum payments or wage increases for direct care workers in Medicaid services administered by SLTC. This appropriation continues payments and wage increases funded from a one-time appropriation in the 2013 biennium. The appropriation is restricted and the one-time designation was removed.

DP 22910 - Remove Funding for Long Term Vacant Position - The legislature eliminated funding for an occupational health safety specialist position at MVH that had been vacant for over a year. Cigarette tax state special revenue was reduced as a result of this action.

DP 22911 - Short Term Housing Assistance (RST/OTO) - The legislature appropriated \$400,000 general fund over the biennium to provide assistance to persons transitioning from facility based care to community services. The funds may be used only to assist a person until that person is eligible for other housing assistance programs.

DP 22912 - Traumatic Brain Injury (OTO) - The legislature added \$100,000 general fund over the biennium to fund activities that educate and support recovery of individuals and families living with traumatic brain injuries, including military service personnel. The funding is one time.

DP 22913 - Partially Restore Community Waiver Services (RST) - The legislature added funds to partially offset a reduction in community services for elderly and physically disabled persons. The annual reduction totaled \$1.5 million. The legislature restored about half of the funding reduction.

Language and Statutory Authority

"Medicaid Services -- Developmental Services, Medicaid Services -- Health Resources, Medicaid Services -- Senior and Long-Term Care, and Medicaid Services -- Addictive and Mental Disorders may be used only to pay for Medicaid services for eligible Medicaid enrollees for expenses recorded as benefits and claims in the state accounting system and may not be transferred to other uses in the department.

The Department of Public Health and Human Services must use the following amounts of money in the following appropriations to raise Medicaid provider rates, except those Medicaid services funded by the federal children's health insurance grant, by 2% in fiscal year 2014 and by 2% in fiscal year 2015:

- (1) Medicaid Services -- Developmental Services, \$3,755,335 in fiscal year 2014 and \$7,585,778 in fiscal year 2015;
- (2) Medicaid Services -- Health Resources, \$4,650,249 in fiscal year 2014 and \$9,389,047 in fiscal year 2015;
- (3) Medicaid Services -- Senior and Long-Term Care, \$4,392,560 in fiscal year 2014 and \$8,872,971 in fiscal year 2015; and
- (4) Medicaid Services -- Addictive and Mental Disorders, \$1,097,758 in fiscal year 2014 and \$2,217,499 in fiscal year 2015."

"The Department of Public Health and Human Services must use \$209,887 in fiscal year 2014 and \$423,971 in fiscal year 2015 of funds in Senior and Long Term Care Division to raise nonMedicaid provider rates by 2% in fiscal year 2014 and by an additional 2% in FY 2015."

"County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home Intergovernmental Transfer may be expended only after the office of budget and program planning has certified that the department has collected the amount that is necessary to make one-time payments to nursing homes based on the number of Medicaid services provided and to fund the base budget in the nursing facility program and the community services program at the level of \$564,785 from counties participating in the intergovernmental transfer program for nursing facilities."

"Personal Services Meal Preparation may be used only to provide personal assistance services for meal preparation for persons receiving Medicaid services administered by the senior and long term care division."

"Home and Community Based Waiver may be used only to increase the number of service slots for Medicaid services administered by the senior and long term care division. This funding may be used only to expand services above the level of additional service slots funded in the Money Follows the Person grant for elderly and physically disabled Medicaid eligible persons."

"Direct Care Provider Rate Increase may be used only to raise provider rates for Medicaid services to allow for continuation of wage increases or lump sum payments to workers who provide direct care and ancillary services."

"Southwest Montana Veterans' Home is contingent on approval and receipt of federal funding to support construction of the southwest Montana veterans' home."

"Short Term Housing Assistance may be used only to provide financial assistance for housing for persons transitioning from Medicaid funded facility-based care to community services through the Money Follows the Person grant program. Short Term Housing Assistance may be used only to assist a person until that person is eligible for other housing assistance programs."

"Partially Restore Community Waiver Services may be used only to fund services that were reduced in fiscal year 2014."

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	619.86	619.86	617.86	617.86	619.86	617.86	(2.00)	(0.32%)
Personal Services	34,307,972	35,525,822	37,977,401	37,839,712	69,833,794	75,817,113	5,983,319	8.57%
Operating Expenses	12,039,834	13,522,662	13,112,197	13,862,524	25,562,496	26,974,721	1,412,225	5.52%
Equipment & Intangible Assets	107,460	45,420	107,460	107,460	152,880	214,920	62,040	40.58%
Grants	3,711,911	5,145,999	4,044,002	4,049,612	8,857,910	8,093,614	(764,296)	(8.63%)
Benefits & Claims	67,014,551	73,876,535	75,198,016	78,107,860	140,891,086	153,305,876	12,414,790	8.81%
Transfers	30,000	30,000	24,300	22,500	60,000	46,800	(13,200)	(22.00%)
Debt Service	69,607	67,598	117,623	117,623	137,205	235,246	98,041	71.46%
Total Costs	\$117,281,335	\$128,214,036	\$130,580,999	\$134,107,291	\$245,495,371	\$264,688,290	\$19,192,919	7.82%
General Fund	60,625,217	63,015,207	64,203,883	65,683,610	123,640,424	129,887,493	6,247,069	5.05%
State Special	12,573,861	14,801,412	15,402,701	15,639,050	27,375,273	31,041,751	3,666,478	13.39%
Federal Special	44,082,257	50,397,417	50,974,415	52,784,631	94,479,674	103,759,046	9,279,372	9.82%
Total Funds	\$117,281,335	\$128,214,036	\$130,580,999	\$134,107,291	\$245,495,371	\$264,688,290	\$19,192,919	7.82%

Program Description

The Addictive and Mental Disorders Division provides chemical dependency and mental health services through contracts with behavioral health providers across the state. People with substance abuse disorders who have family incomes below 200% of the federal poverty level are eligible for public funding of treatment services. In addition, the Medicaid program funds outpatient and residential chemical dependency treatment services for adolescents and outpatient services for adults who are Medicaid eligible. The mental health program provides services to adults who are eligible for Medicaid as well as non-Medicaid adults up to 150% of FPL. The division also manages three inpatient facilities: the Montana State Hospital in Warm Springs, Montana Chemical Dependency Center in Butte, and Montana Mental Health Nursing Care Center in Lewistown.

Program Highlights

Addictive and Mental Disorders Division	
Major Budget Highlights	
♦	The Addictive and Mental Disorders Division 2015 biennium budget is \$19.2 million higher than the 2013 biennium
♦	The major changes that the legislature approved are: <ul style="list-style-type: none"> • Annualization of Medicaid waiver services - \$8.2 million • Reinstatement of overtime, holiday, and shift differential pay for state mental health facility workers - \$5.1 million general fund • Inflationary increases in operating costs for state mental health facilities - \$2.5 million general fund • 2% annual provider rate increases - \$4.1 million total funds, including \$1.1 million general fund
♦	The legislature removed funding for 2.00 FTE at the Montana Chemical Dependency Center

Program Narrative

The AMDD 2015 biennium budget appropriation is \$19.2 million higher than the 2013 biennium budget. However, the present law adjustments and new proposals that the legislature approved are based on changes to base budget spending in

FY 2012 and total \$30.1 million, including \$8.6 million general fund. Since legislative changes are measured from the FY 2012 base budget, which is \$11.0 million lower than the FY 2013 appropriation, total legislative changes are higher than the biennium to biennium difference, which includes the FY 2013 appropriation.

The most noticeable difference between FY 2012 base expenditures and the FY 2013 appropriation is in benefits and claims (services for individuals who meet financial eligibility and, in some instances, disability criteria). Base expenditures are \$5.8 million lower, primarily in Medicaid mental health services, compared to the FY 2013 appropriation.

The major changes authorized by the legislature are:

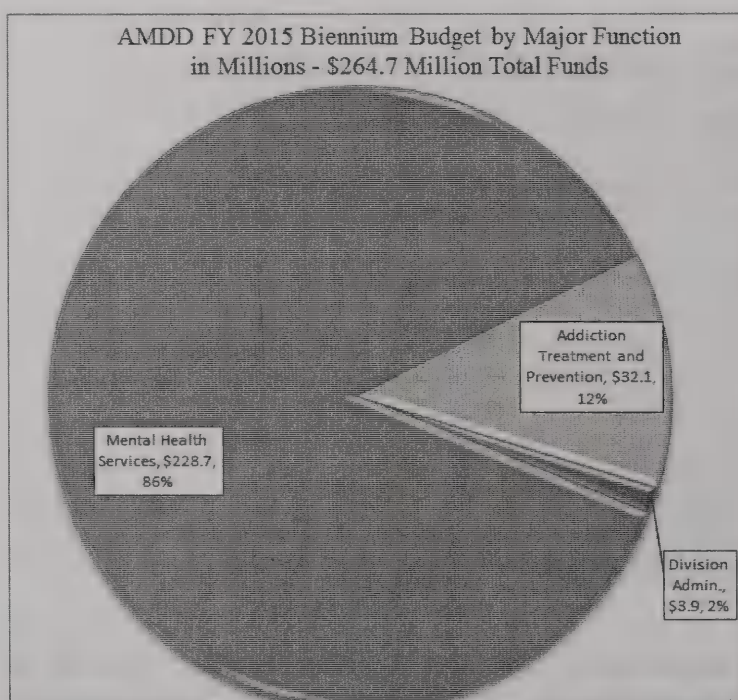
- Medicaid enrollment and service utilization increases and state match rate changes - \$10.5 million, including \$1.8 million general fund
- Reinstatement of state facility overtime, holiday, and shift differential pay that is zero based - \$6.0 million, including \$3.1 million general fund
- A 2% annual provider rate increase - \$4.1 million total funds, including \$1.1 million general fund
- State facility inflation and operating costs - \$2.5 million general fund
- Statewide present law adjustments to fully fund personal services, including broad band pay increases authorized late in the base year - \$1.6 million, including \$0.4 million general fund
- Grants to counties for mental health crisis jail diversion services and for prevention of suicides in jails and increases for some mental health community services - \$1.5 million

The legislature removed funding for 2.00 FTE at the Montana Chemical Dependency Center (MCDC). The FTE had been vacant for more than two years and AMDD indicated that it would not be filling the positions.

Line Item Veto

The legislature approved a one-time appropriation of \$704,896 over the biennium to support mental health crisis jail diversion grants to counties. The source of funds was Montana Chemical Dependency Center cost recovery state special revenue. The Governor removed this appropriation via line item veto after the legislature had adjourned.

Figure 27

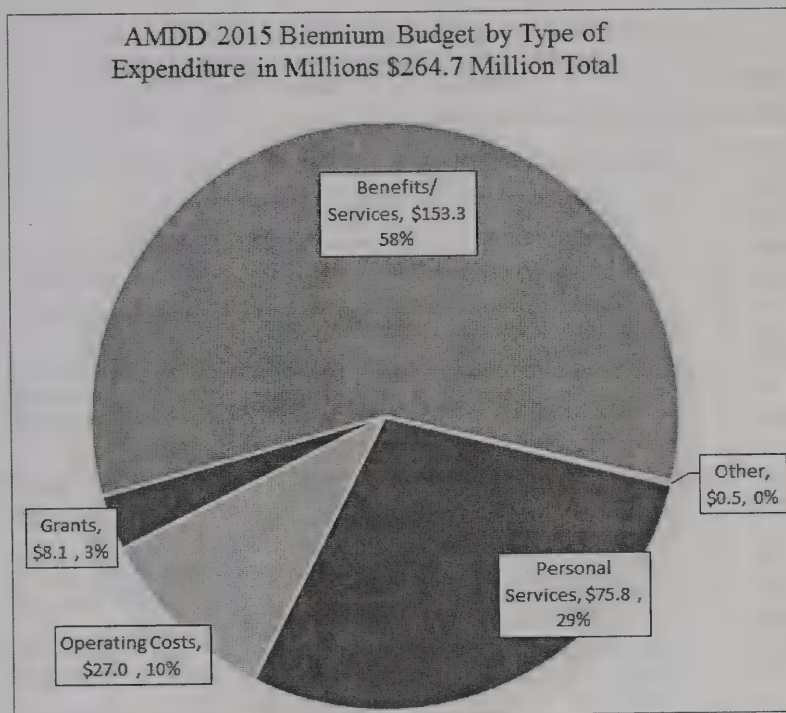


Division Appropriation Characteristics

The AMDD division appropriation is 29% of the \$3.5 billion appropriated to DPHHS, including 14% of the total \$900 million general fund appropriation to DPHHS. Figure 27 shows the appropriation by major division function.

Mental health services are the largest slice of the pie totaling \$228.7 million or 86%. Addiction treatment and prevention services are just under 12% of the appropriation and division administration is 2% of the total.

Figure 28



Appropriations by Type of Expenditure

Figure 28 shows the 2015 biennium appropriation for AMDD by type of expenditure. Payment for benefits or services for persons who meet financial and other eligibility criteria total \$153.3 million or 58% of the appropriation. Personal services are 29% of the total appropriation reflecting the staffing requirements of the three state facilities administered by AMDD. Operating costs are 10% of the total, followed by grants with 3%, and other costs such as equipment and debt service are under 1% of the total.

Appropriations by Fund Type

Figure 29 shows the AMDD 2015 biennium appropriation by fund type. General fund is just under one half the total appropriation, due in large part to the two mental health state facilities that are funded almost entirely by general fund. Although DPHHS receives reimbursements for some state facility services, including Medicare, Medicaid,

insurance, and private payments, those funds are used first to pay bonds that supported construction of a new state hospital with any remaining balance deposited to the general fund. Federal funds - primarily Medicaid matching funds - are 39% of the total. State special revenue is 12%. The Funding section discusses individual fund sources in greater detail.

Figure 29

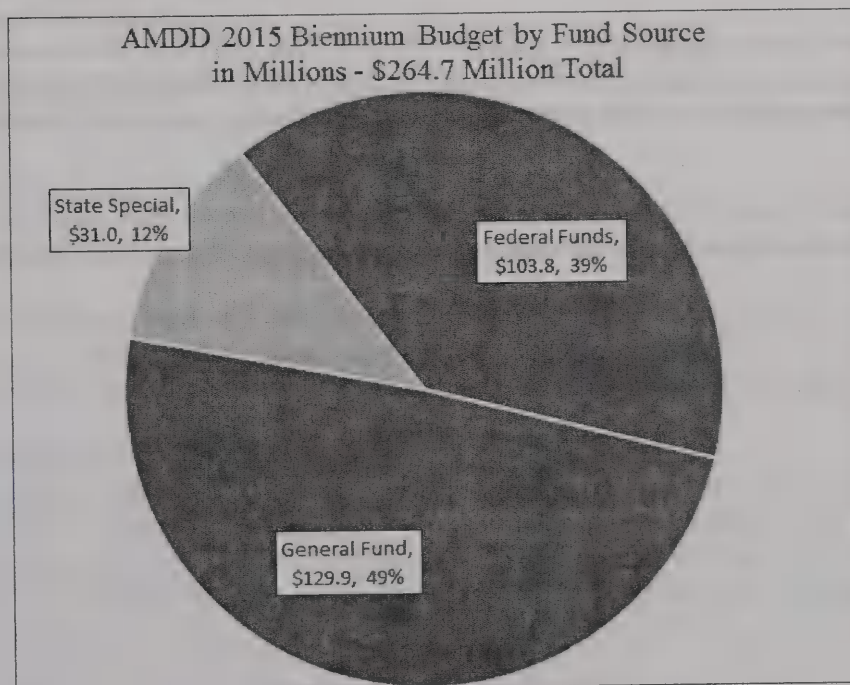


Figure 30

Major Function

Figure 30 shows the 2015 biennium appropriation for major programs administered by AMDD. Adult mental health Medicaid services are 45% of the total, with \$118.2 million, followed by the two state mental health institutions. The state hospital appropriation is just under one quarter of the total and the nursing care center appropriation is 8%. Major services with less than 10% of total appropriation are:

- Chemical dependency (CD) community services - 6%
- The state funded Mental Health Services Plan – 5%
- MCDC – 4%
- CD Medicaid services – 1%

The remainder of the AMDD biennial appropriation – 7% - includes various adult mental health community services and grants as well some administrative costs.

Detailed Appropriation Information

Detailed division appropriation information for AMDD can be found in Table 33-A at this link: <http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/33A-AMDD.pdf>

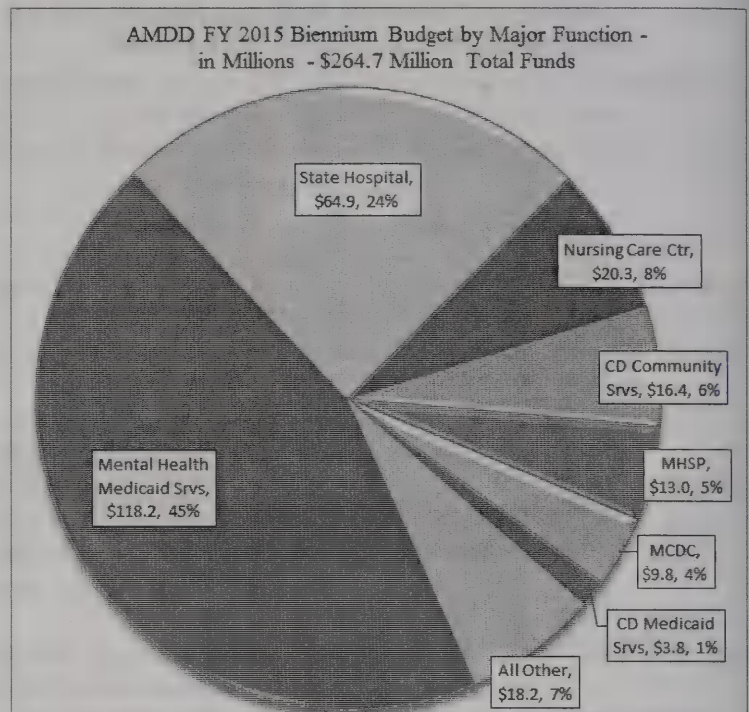
A summary of each legislative change to the Medicaid services appropriations can be found in Table 33-B at this link: <http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/33B-AMDD.pdf>

State Facility Costs

AMDD administers three state facilities, with combined FTE of 577.26 or 94% of the division total. Table 33-C at the following link <http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/33C-AMDD.pdf> shows the 2013 biennium appropriation compared to the 2015 biennium appropriation for each facility administered by AMDD.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.



Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Addictive & Mental Disorders						
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference
General Fund	\$129,887,493	\$0	\$0	\$129,887,493	47.7%	
State Special Total	\$31,041,751	\$0	\$7,488,244	\$38,529,995	14.2%	
02034 Earmarked Alcohol Funds	\$12,065,597	\$0	\$3,821,174	\$15,886,771	5.8%	53-24-108 Pass Thru 53-24-206 Pass Thru
02053 Medicaid Nursing Home Match	\$2,099,808	\$0	\$0	\$2,099,808	0.8%	
02244 Misc Fees	\$0	\$0	\$0	\$0	0.0%	
02384 02 Indirect Activity Prog 33	\$289,948	\$0	\$0	\$289,948	0.1%	
02394 Montana State Hospital Rev Acc	\$0	\$0	\$3,667,070	\$3,667,070	1.3%	17-7-502 Direct
02598 Medc Cost Recovery	\$268,566	\$0	\$0	\$268,566	0.1%	
02691 6901-msh/doc Maint Agreement	\$277,486	\$0	\$0	\$277,486	0.1%	
02772 Tobacco Hlth & Medica Initiative	\$14,654,676	\$0	\$0	\$14,654,676	5.4%	
02987 Tobacco Interest	\$1,385,670	\$0	\$0	\$1,385,670	0.5%	
Federal Special Total	\$103,759,046	\$0	\$0	\$103,759,046	38.1%	
03171 Data Infrastructure Development	\$188,410	\$0	\$0	\$188,410	0.1%	
03505 93.150 - Mntal Hlth - Homeless	\$606,034	\$0	\$0	\$606,034	0.2%	
03507 93.958 - Mntal Hlth - Blk Grt	\$2,276,723	\$0	\$0	\$2,276,723	0.8%	
03508 93.959 - Adad - Blk Grt 100%	\$13,553,167	\$0	\$0	\$13,553,167	5.0%	
03513 Chipra Bonus	\$2,250,000	\$0	\$0	\$2,250,000	0.8%	
03580 6901-93.778 - Med Adm 50%	\$1,993,213	\$0	\$0	\$1,993,213	0.7%	
03583 93.778 - Med Ben Fmap	\$82,340,144	\$0	\$0	\$82,340,144	30.3%	
03601 03 Indirect Activity Prog 33	\$551,355	\$0	\$0	\$551,355	0.2%	
Total All Funds	\$264,688,290	\$0	\$7,488,244	\$272,176,534	100.0%	
Percent - Total All Sources	97.2%	0.0%	2.8%			

AMDD is funded by general fund, state special revenue, and federal funds. General fund supports:

- State adult mental health facility costs
- State Medicaid match
- Some adult mental health community services
- Community chemical dependency group home services for adults with methamphetamine and other addictions

State special revenue and functions that it supports are:

- Alcohol taxes – Montana Chemical Dependency Center (MCDC), state Medicaid match, community chemical dependency services, and statutory appropriations to counties for to support chemical dependency community services
- Tobacco taxes allocated to the health and Medicaid initiatives account – state Medicaid match
- Tobacco trust fund interest income - Mental health crisis jail diversion grants to counties
- Montana State Hospital account – facility revenues that fund bond repayment through a statutory appropriation

Alcohol State Special Revenue Account Fund Balance

Figure 31 shows the alcohol state special revenue account balance for the 2013 biennium compared to the 2015 biennium. The legislature as part of its appropriation decisions removed MCDC cost recovery revenues from consideration as a revenue source for the account, which is reflected in the \$1.0 million reduction in revenue in FY 2013. The reduction was based on DPHHS estimates of the amount of MCDC cost recovery revenue that had built up in the account for a number of years.

Figure 31

Earmarked Alcohol Tax Revenue - 2013 Biennium Budget Compared to 2015 Biennium Appropriations					
Revenue/Expenditures	Base	Legislative Appropriations			% of
Fund Balance	FY 2012	FY 2013**	FY 2014	FY 2015	Total
Beginning Balance	\$714,719	\$1,220,439	\$233,258	\$13,786	
<u>Revenues*</u>					
Liquor License	5,850,168	6,244,000	6,614,000	7,007,000	76.6%
Beer Tax	915,225	942,000	948,000	953,000	10.4%
Wine Tax	963,075	982,000	1,015,000	1,049,000	11.5%
DPHHS Cost Recovery	<u>134,283</u>	<u>(987,181)</u>	<u>0</u>	<u>0</u>	<u>1.5%</u>
Total Revenue	<u>7,862,751</u>	<u>7,180,819</u>	<u>8,577,000</u>	<u>9,009,000</u>	100%
Annual Percent Change		5.7%	4.9%	5.0%	
Total Funds Available	8,577,470	8,401,258	8,810,258	9,022,786	
<u>Disbursements</u>					
Montana Chemical Dependency Center (MCDC)	3,912,173	4,295,267	4,772,195	4,766,605	54.0%
Distribution to Counties***	1,436,532	1,634,600	1,715,400	1,801,800	19.5%
Distribution to Counties - Srvs for Dually Diagnosed*	474,055	539,418	566,082	594,594	6.5%
CD Benefits - nonMedicaid	487,256	618,923	487,256	487,256	5.3%
CD Medicaid Services	469,558	210,875	420,086	444,413	5.1%
Cost Allocated Administration	357,125	376,830	395,671	415,455	4.9%
CD Operations	287,846	248,761	343,796	343,990	3.7%
Quality Assurance-Licensure	72,007	70,945	70,463	71,040	0.8%
Department of Corrections-Pine Hills	<u>25,523</u>	<u>25,523</u>	<u>25,523</u>	<u>25,523</u>	<u>0.3%</u>
Total Disbursements/HB 2 Appropriations	7,522,075	8,021,142	8,796,472	8,950,676	100%
Distribution to Counties - Revenue Exceeding Appropriations/Unencumbered Authority***	0	146,858	0	58,324	
Adjustments****	<u>165,044</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Ending Fund Balance	<u>\$1,220,439</u>	<u>\$233,258</u>	<u>\$13,786</u>	<u>\$13,786</u>	

estimates.

** FY 2013 budgeted amounts are based on 2011 legislative appropriations, except indirect costs, which are based on LFD estimates.

***26.6% of alcohol tax revenues are statutorily appropriated for distribution as grants to state approved public or private alcoholism programs. A portion (6.6% of total revenue) is statutorily required to be used to treat persons with alcoholism who also have a mental illness. Revenues in excess of appropriations or unencumbered balances remaining at fiscal year end, also are statutorily appropriated to be distributed to state approved programs.

****Adjustments include those made to comply with generally accepted accounting principles (GAAP) as well as actions needed to maintain the account in a positive balance.

The legislature removed the MCDC cost recovery funding from the account in order to clearly delineate the statutory appropriations from the account and to accurately determine the funding available for legislative appropriation. There are three statutory appropriations from the account:

- 20% of revenues deposited to the account must be distributed as grants to state-approved private or public alcoholism programs
- 6.6% of revenues deposited to the account must be distributed to state-approved private or public alcoholism programs that provide services for treatment and rehabilitation for persons with co-occurring serious mental illness and chemical dependency
- Revenues that have not been encumbered by the counties or DPHHS must be returned to the fund within 30 days after the close of each fiscal year and must be distributed by the department the following year

Federal special revenue and functions that it supports are:

- Federal Medicaid matching funds – chemical dependency and adult mental health services
- Substance abuse block grant – community chemical dependency services with a small allocation to support the Montana Chemical Dependency Center
- Mental health block grants – community mental health services and homelessness prevention

- Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus payments – overtime, shift differential, and holiday pay at the Montana State Hospital and grants for prevention of suicide in local jails

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	60,625,217	60,625,217	121,250,434	93.35%	117,281,335	117,281,335	234,562,670	88.62%
Statewide PL Adjustments	253,876	167,655	421,531	0.32%	786,257	684,871	1,471,128	0.56%
Other PL Adjustments	3,970,863	5,175,806	9,146,669	7.04%	10,413,955	12,652,143	23,066,098	8.71%
New Proposals	(646,073)	(285,068)	(931,141)	(0.72%)	2,099,452	3,488,942	5,588,394	2.11%
Total Budget	\$64,203,883	\$65,683,610	\$129,887,493		\$130,580,999	\$134,107,291	\$264,688,290	

The majority of the legislative appropriation supports continuation of present law services. Just over 2% of the appropriation funds new proposals for a 2% annual provider rate increase and an increase in federal substance abuse block grant funds. General fund present law adjustments support adult mental health state facility cost increases, reinstatement of overtime pay that is zero based, pay increases granted by DPHHS in FY 2012, increases in Medicaid enrollment and service utilization growth for adult mental health, and increases in grants to counties to develop mental health crisis jail diversion grants.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments									
Fiscal 2014					Fiscal 2015				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				2,196,951					2,065,730
Vacancy Savings				(1,460,233)					(1,454,915)
Inflation/Deflation				(40,406)					(7,160)
Fixed Costs				89,945					81,216
Total Statewide Present Law Adjustments	\$253,876	\$496,975	\$35,406	\$786,257		\$167,655	\$481,123	\$36,093	\$684,871
DP 50 - Initial Motion to FY 2012 Base	0.00	(253,876)	(496,975)	(786,257)	0.00	(167,655)	(481,123)	(36,093)	(684,871)
DP 51 - Adjustment for Statewide Personal Services	0.00	103,492	540,183	93,043	0.00	(10,060)	527,311	93,564	610,815
DP 52 - Adjustment for Statewide Operations	0.00	41,233	8,998	(692)	0.00	68,979	5,483	(406)	74,056
DP 53 - Base Funding Switch	0.00	109,151	(52,206)	(56,945)	0.00	108,736	(51,671)	(57,065)	0
DP 33101 - MH Comm Crisis Serv Annualization Goal 189	0.00	283,870	0	0	0.00	283,870	0	0	283,870
DP 33103 - Med Ben Waiver Annualization MHSP (HIFA)	0.00	(470,860)	1,498,002	2,961,995	0.00	(470,860)	1,502,314	2,957,683	3,989,137
DP 33104 - Med Ben Waiver FMAP Adult Mental Health	0.00	0	(9,762)	9,762	0.00	0	(4,600)	4,600	0
DP 33200 - Med Ben Core Caseload Adult Mental Health	0.00	678,765	(49,472)	1,236,384	0.00	1,171,013	(25,145)	2,246,281	3,392,149
DP 33201 - Med Ben Federal Caseload Adult Mental Health	0.00	0	0	200,000	0.00	0	0	200,000	200,000
DP 33202 - Adjustment to AMDD HCBS Waiver	0.00	0	(1,637)	1,637	0.00	0	(692)	692	0
DP 33203 - Restrict Medicaid Services Funding	0.00	0	0	0	0.00	0	0	0	0
DP 33300 - Required Overtime/Holiday/Differential MCDC	0.00	0	438,229	0	0.00	0	438,229	0	438,229
DP 33301 - Required Overtime/Holiday/Differential MSH	0.00	2,055,361	0	0	0.00	2,055,361	0	0	2,055,361
DP 33302 - Required Overtime/Holiday/Differential MMHNCC	0.00	516,541	0	0	0.00	504,247	0	0	504,247
DP 33400 - Med Ben Core FMAP Adult Mental Health	0.00	(12,048)	(3,594)	15,642	0.00	2,489	742	(3,231)	0
DP 33501 - Private Lease Adjustment MCDC	0.00	0	108,877	0	0.00	0	108,877	0	108,877
DP 33502 - Private Lease Adjustment Division Admin.	0.00	13,936	2,319	7,569	0.00	19,212	3,174	10,433	32,819
DP 33601 - MCDC Facility Operating Inflation	0.00	0	27,141	0	0.00	0	36,980	0	36,980
DP 33602 - Montana State Hosp Facility Operating Inflation	0.00	466,215	0	0	0.00	947,655	0	0	947,655
DP 33603 - MMHNCC Facility Operating Inflation	0.00	439,083	0	0	0.00	662,819	0	0	662,819
Total Other Present Law Adjustments	0.00	\$3,970,863	\$2,010,103	\$4,432,989	0.00	\$5,175,806	\$2,059,879	\$5,416,458	\$12,652,143
Grand Total All Present Law Adjustments	0.00	\$4,224,739	\$2,507,078	\$4,468,395	0.00	\$5,343,461	\$2,541,002	\$5,452,551	\$13,337,014

Statewide present law adjustments add a net increase of \$1.5 million over the biennium. The majority of the statewide present law adjustment funds pay increases granted in late FY 2012, which add \$2.4 million to the 2015 biennium budget request. Pay increases implemented by the executive in FY 2012 are discussed in the DPHHS overview.

Other adjustments such as workers' compensation costs and reclassification of positions due to changes in duties add about \$1.4 million. The remainder of personal services costs provides full funding for positions that were vacant during FY 2012. Vacancy savings offsets all but \$1.5 million of the personal services increases.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 33101 - MH Community Crisis Services Annualization Goal 189 - This present law adjustment funds Goal 189 community crisis services provided in a group home or individual setting and brings base year costs up to the level of the FY 2012 appropriation. AMDD has worked with service providers in an effort to expand participation.

DP 33103 - Med Ben Waiver Annualization MHSP (HIFA) - This adjustment funds continuation of the HIFA waiver initiated in December 2010. Enrollment in the waiver increased between 1 to 69 persons per month until about 800 service slots were filled in July 2012. The waiver provides Medicaid funded mental health services and most Medicaid physical health services to persons eligible for the MHSP program who have incomes up to 150% of the federal poverty level and who have a mental health diagnosis of schizophrenia or bipolar disease. This waiver allows persons to move from 100% state funded services to a more comprehensive array of Medicaid funded services. Enrollment in the waiver is capped at around 800 slots.

DP 33104 - Med Ben Waiver FMAP Adult Mental Health - The legislature adjusted funding for the change in the state Medicaid match rate. The state match rate declines from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015.

DP 33200 - Med Ben Core Caseload Adult Mental Health - This present law adjustment funds enrollment and service utilization growth in adult mental health Medicaid services. Base expenditures were \$39.8 million.

DP 33201 - Med Ben Federal Caseload Adult Mental Health - This present law adjustment adds federal funds for Medicaid reimbursement for services provided by state adult mental health facilities. Base expenditures were \$2.0 million.

DP 33202 - Adjustment to AMDD HCBS Waiver - The legislature funded the home and community based waiver services for the 2014 biennium based on an estimated number of 198 service slots at an annual cost of \$16,289 per service slot. The total amount budgeted for AMDD HCBS waiver services was \$3,225,182 per year not including provider rate increases. Slight funding adjustments were made by the legislature to fund this Medicaid service according to the projected state and federal matching ratios.

DP 33203 - Restrict Medicaid Services Funding - The legislature restricted Medicaid services appropriations to be used only for payment of medical services for persons eligible for Medicaid. The department will be able to transfer appropriations for Medicaid services among divisions, but will not be able to transfer Medicaid appropriations to divisions to be used for other purposes.

DP 33300 - Required Overtime/Holiday/Differential MCDC - This present law adjustment funds overtime, holidays worked, aggregate costs, and the corresponding benefits at the Montana Chemical Dependency Center. These costs are removed from base year expenditures and totaled \$591,524 in FY 2012.

DP 33301 - Required Overtime/Holiday/Differential MSH - This present law adjustment funds overtime, holidays worked, differential pay, and the corresponding benefits at the Montana State Hospital. These expenditures are removed from base year expenditures and totaled \$3,045,707 in FY 2012.

DP 33302 - Required Overtime/Holiday/Differential MMHNCC - This present law adjustment funds overtime, holidays worked, differential pay, and the corresponding benefits for the Montana Mental Health Nursing Care Center. These expenditures are removed from the base budget and totaled \$451,476 in FY 2012.

DP 33400 - Med Ben Core FMAP Adult Mental Health - The legislature adjusted base level expenditures for the change in the state Medicaid match rate. The state match rate declines from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015.

DP 33501 - Private Lease Adjustment MCDC - The legislature funded an increase in rent for three buildings to house operations for the Montana Chemical Dependency Center. AMDD rented new space for MCDC because the former facility no longer met licensure requirements. The new site meets safety and security requirements for licensing the facility and allows essential services to continue.

DP 33502 - Private Lease Adjustment Division Admin. - The legislature funded increases in the rental agreement for office space.

DP 33601 - MCDC Facility Operating Inflation - This adjustment funds increases in certain operating costs for the Montana Chemical Dependency Center. It is funded from alcohol tax state special revenue.

DP 33602 - Montana State Hospital Facility Operating Inflation - The legislature funded increases in certain operating costs for the Montana State Hospital.

DP 33603 - MMHNCC Facility Operating Inflation - The legislature funded increases in certain operating costs for the Montana Mental Health Nursing Care Center.

New Proposals

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 33803 - Substance Abuse Prevention Treatment Grant	33	0.00	0	0	488,561	488,561	0.00	0	0	488,561
DP 33901 - PRI Med Ben Waiver AMDD	33	0.00	0	102,377	201,142	303,519	0.00	0	207,108	406,001
DP 33902 - PRI Med Ben Core Adult Mental Health	33	0.00	172,683	95,214	526,342	794,239	0.00	348,820	192,400	1,063,170
DP 33903 - PRI - HB 131 Crisis Beds	33	0.00	5,500	0	5,500	5,500	0.00	11,110	0	11,110
DP 33904 - PRI - CD SAPT Block Grant	33	0.00	0	82,718	82,718	82,718	0.00	0	0	167,091
DP 33905 - PRI - Mental Health Services Plan	33	0.00	175,744	0	175,744	175,744	0.00	355,002	0	355,002
DP 33906 - Mental Health Crisis Jail Diversion Services (RST)	33	0.00	0	201,591	201,591	201,591	0.00	0	201,591	0
DP 33907 - Remove Funding for 2.00 Vacant FTE	33	(2.00)	0	(77,420)	0	(77,420)	(2.00)	0	(76,912)	0
DP 33910 - Prevent Jail Suicide (Restricted/Biennial/OTO)	33	0.00	0	125,000	125,000	125,000	0.00	0	0	125,000
DP 33911 - Offset General Fund in MSH Overtime (Biennial)	33	0.00	(1,000,000)	0	1,000,000	0	0.00	(1,000,000)	0	1,000,000
Total	(2.00)	(\$646,073)	\$321,762	\$2,423,763	\$2,099,452	(2.00)	(\$285,068)	\$524,187	\$3,249,823	\$3,488,942

DP 33803 - Substance Abuse Prevention Treatment Grant - The legislature approved additional spending authority for the federal Substance Abuse Prevention Grant.

DP 33901 - PRI Med Ben Waiver AMDD - This new proposal funds a 2% annual provider rate increase for Medicaid community mental health waiver services. The legislature added language requiring DPHHS to raise provider rates by 2% annually, which is implemented in HB 625. The Governor vetoed this bill. At the time of this writing, a veto override poll had been sent to legislators.

DP 33902 - PRI Med Ben Core Adult Mental Health - This new proposal funds a 2% annual provider rate increase for contracted community crisis beds funded under 53-21-1204, MCA (HB 131 passed during the 2009 session). The legislature added language requiring DPHHS to raise provider rates by 2% annually, which is implemented in HB 625. The Governor vetoed this bill. At the time of this writing, a veto override poll had been sent to legislators.

DP 33903 - PRI - HB 131 Crisis Beds - This new proposal funds a 2% annual provider rate increase for contracted community crisis beds funded under 53-21-1204, MCA (HB 131 passed during the 2009 session). The legislature added language requiring DPHHS to raise provider rates by 2% annually, which is implemented in HB 625. The Governor vetoed this bill. At the time of this writing, a veto override poll had been sent to legislators.

DP 33904 - PRI - CD SAPT Block Grant - This new proposal funds a 2% annual provider rate increase in each year of the biennium for chemical dependency services. The legislature added language requiring DPHHS to raise provider rates by 2% annually, which is implemented in HB 625. The Governor vetoed this bill. At the time of this writing, a veto override poll had been sent to legislators.

DP 33905 - PRI - Mental Health Services Plan - This new proposal funds a 2% annual provider rate increase for the state funded Mental Health Services Program (MHSP). The legislature added language requiring DPHHS to raise provider rates by 2% annually, which is implemented in HB 625. The Governor vetoed this bill. At the time of this writing, a veto override poll had been sent to legislators.

DP 33906 - Mental Health Crisis Jail Diversion Services (RST) - The legislature added \$201,591 in tobacco settlement trust interest each year to provide grants to expand the number of counties that have mental health crisis jail diversion grants. The legislature intended that the funds be used to expand crisis services and not to augment funding for existing programs. Base budget expenditures for this activity were \$645,961 supported from a combination of general fund and tobacco settlement trust interest funds.

DP 33907 - Remove Funding for 2.00 Vacant FTE - DPHHS indicated that it would not fill two positions at MCDC that had been vacant for more than two years. The legislature removed funding for the FTE as identified by DPHHS.

DP 33910 - Prevent Jail Suicide (Restricted/Biennial/OTO) - The legislature added one-time funds from the Children's Health Insurance bonus payments to fund grants for jail suicide prevention.

DP 33911 - Offset General Fund in MSH Overtime (Biennial) - The legislature appropriated \$1 million in federal CHIPRA bonus funds in place of general fund for overtime, shift differential, and holiday pay for MSH. The legislature added language prioritizing the use of CHIPRA bonus funds and listed MSH overtime pay as the first priority for use of the funds.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Best Beginnings STARS, Prevent Jail Suicide, and Montana State Hospital Overtime Pay are funded from a federal children's health insurance program reauthorization grant. If grant funds are insufficient to fund all appropriations, the funding shall be allocated in the following order of priority:

- (1) Montana State Hospital Overtime Pay;
- (2) Prevent Jail Suicide; and
- (3) Best Beginnings STARS."

"Medicaid Services -- Developmental Services, Medicaid Services -- Health Resources, Medicaid Services -- Senior and Long-Term Care, and Medicaid Services -- Addictive and Mental Disorders may be used only to pay for Medicaid services for eligible Medicaid enrollees for expenses recorded as benefits and claims in the state accounting system and may not be transferred to other uses in the department.

The Department of Public Health and Human Services must use the following amounts of money in the following appropriations to raise Medicaid provider rates, except those Medicaid services funded by the federal children's health insurance grant, by 2% in fiscal year 2014 and by 2% in fiscal year 2015:

(1) Medicaid Services -- Developmental Services, \$3,755,335 in fiscal year 2014 and \$7,585,778 in fiscal year 2015;

(2) Medicaid Services -- Health Resources, \$4,650,249 in fiscal year 2014 and \$9,389,047 in fiscal year 2015;

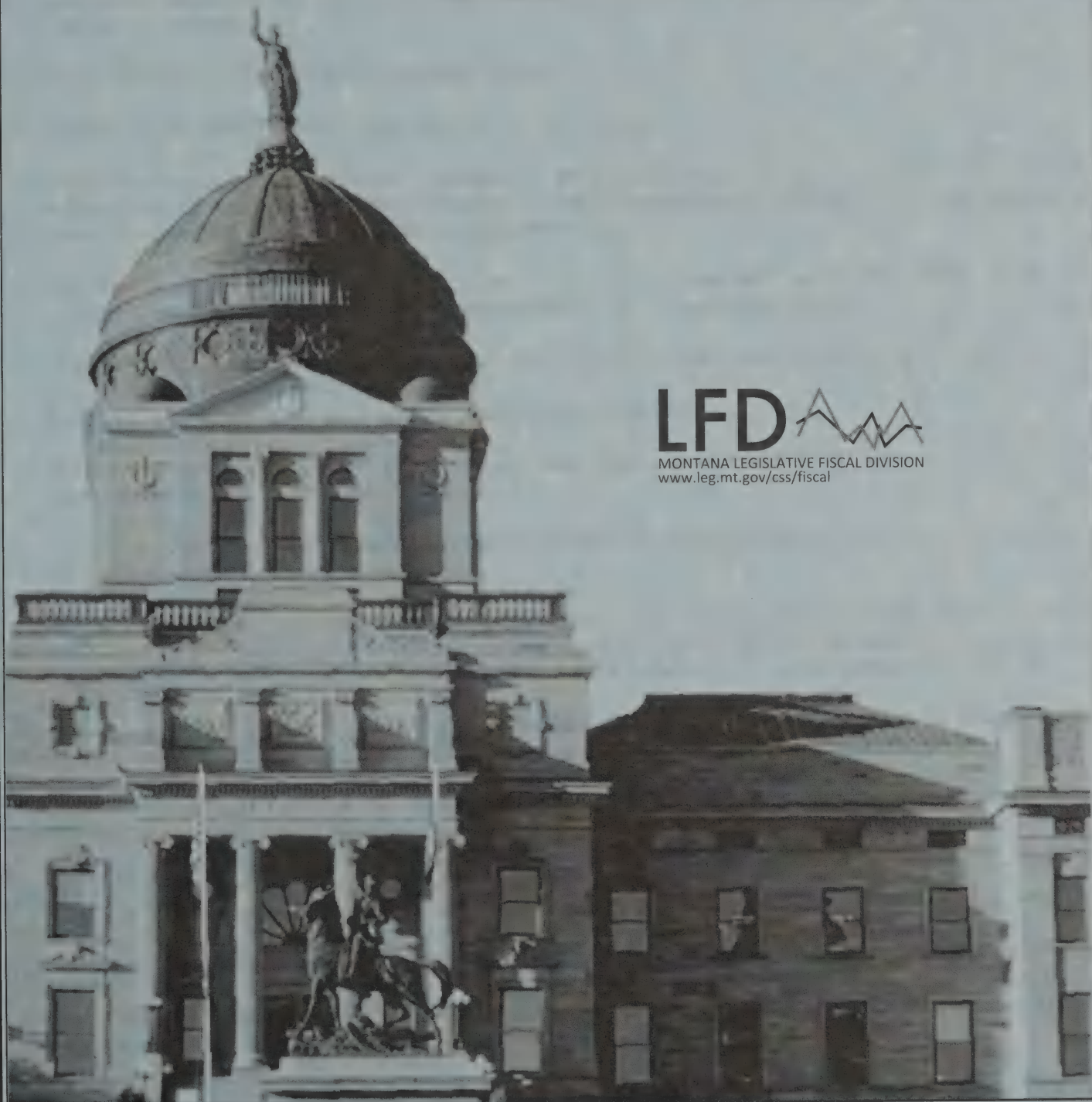
(3) Medicaid Services -- Senior and Long-Term Care, \$4,392,560 in fiscal year 2014 and \$8,872,971 in fiscal year 2015; and

(4) Medicaid Services -- Addictive and Mental Disorders, \$1,097,758 in fiscal year 2014 and \$2,217,499 in fiscal year 2015."

"The Department of Public Health and Human Services must use \$263,962 in fiscal year 2014 and \$533,203 in fiscal year 2015 of funds in Addictive and Mental Disorders Division to raise nonMedicaid provider rates by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015."

"Mental Health Crisis Jail Diversion Services and One - Time Mental Health Crisis Jail Diversion Services may be used only to fund grants to counties to develop mental health crisis jail diversion services in accordance with 53-21-1203, MCA."

Glossary / Acronyms / Index



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Glossary

A number of terms are used extensively in budgeting and appropriations. The most common terms, which are used throughout the budget analysis and in other fiscal materials, are listed and defined below.

Adjusted Base – The base budget, the level of funding authorized by the previous legislature, modified by annualization of personal services costs, inflationary or deflationary factors, changes in fixed costs, etc.

Appropriations – An authorization by law for the expenditure of funds or to acquire obligations. Types of appropriations are listed below.

Biennial – A biennial appropriation is an appropriation made in the first year of the biennium, where the appropriated amount can be spent in either year of the biennium. In HB 2, it can be split between years, but still be biennial if so indicated.

Budget Amendment – See “Budget Amendment” below.

Continuing – An appropriation that continues beyond one biennium.

Language – An appropriation made in the language of the general appropriations act for a non-specific or limited dollar amount. Language appropriations are generally used when an agency knows that it will be receiving federal or state special revenue funds but is uncertain as to the amount.

Line Item – An appropriation made for a specific purpose. A line item appropriation highlights certain appropriation and ensures that it can be separately tracked on the state accounting system.

One-time – Appropriations for a one-time purpose that are excluded from the base budget in the next biennium.

Restricted – An appropriation designated for a specific purpose or function.

Statutory – Funds appropriated in permanent law rather than a temporary bill. All statutory appropriations references are listed in 17-7-502, MCA.

Temporary – An appropriation authorized by the legislature in the general appropriations act or in a “cat and dog” bill that is valid only for the biennium.

Appropriation Transfers (also see “Supplemental Appropriation”) – The transfer of funds appropriated for the second year of the biennium to the first year if the Governor or other approving authority determines that due to an unforeseen or unanticipated emergency there are insufficient funds in the first year for the operation of an agency.

Approving Authority – The entity designated in law as having the authority to approve certain budgetary changes during the interim. The approving authorities are:

- The Governor or his/her designated representative for executive branch agencies
- The Chief Justice of the Supreme Court or his/her designated representative for the judicial branch agencies
- The Speaker of the House of Representatives for the House
- The President of the Senate for the Senate
- The appropriate standing legislative committees or designated representative for the legislative branch divisions
- The Board of Regents of Higher Education or their designated representative for the university system

Average Daily Population (ADP) – The population measure used to calculate population in a state facility. ADP is equivalent to one person served for one year.

Average Number Belonging (ANB) – The enrollment measure used for K-12 BASE aid calculations. ANB is the equivalent of one full-time student enrolled in school for the full school year.

Base – The level of funding authorized by the previous legislature for on-going spending, such as one-time appropriations and supplementals.

Base Budget – The resources needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

Benefits – An expenditure category used to account for the provision of payments or services by the government to individuals who qualify for receipt of those payments or services, such as Medicaid benefits. Personal services benefits for state employees are included in the personal services expenditure category.

Benefits and Claims – A category of expenditure that accounts for provision of direct financial assistance or provision of services to specific individuals. Persons must meet eligibility criteria such as income limits and end of disability to receive services.

Biennial Appropriation – An appropriation that can be expended in either or both years of the biennium.

Biennium – A two-year period. For the state, this period begins July 1 of the odd-numbered years and ends June 30 of the following odd-numbered year.

Budget Amendments – Temporary authority to spend unanticipated non-general fund revenue received after the legislature adjourns. The funds must be used to provide additional services and cannot make a commitment of general fund support for the present or future.

Cat and Dog Appropriations – One-time appropriations made in bills other than the general appropriations act.

Debt Service – The payment on outstanding bonds.

Decision Package – Separate, specific adjustments to the base budget. Decision packages can be either present law adjustments or new proposals.

Earmarked Revenue – Funds from a specific source that can be spent only for designated activities.

Enterprise Funds – A fund used to account for operations financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs, primarily through user charges.

Federal Special Revenue – Accounts deposited in the state treasury from federal sources, to be used for the operation of state government.

Fiduciary Funds – Funds used to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Fiscal Note - An estimate, prepared by the Governor's Office of Budget and Program Planning, of the probable revenues and costs that will be incurred as the result of a bill or joint resolution.

Fiscal Year (FY) aka State Fiscal Year (SFY) – A 12-month accounting period beginning July 1 and ending June 30. FY 2003 refers to the fiscal year ending June 30, 2003. (Note: The federal fiscal year (FFY) is October 1 through September 30.)

Fixed Costs – Fees (fixed costs) charged to agencies for a variety of services provided by other state agencies (e.g., payroll service fees, rent, warrant writing services, and data network services).

FTE – Full-time equivalent position, or the equivalent of one person working full-time for the entire year. Also used to denote full-time equivalent students in the Montana University System for purposes of calculating state support.

Fund – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

General Fund – Accounts for all governmental financial resources except those that must be accounted for in another fund.

General Fund Reversions – Unspent appropriated funds that are returned to the general fund at the close of the budget period (fiscal year).

Grants – An expenditure category used to account for the payment by a government entity to an entity who will perform a service.

HB 2 – The General Appropriations Act in which the legislature authorizes the funding for state government for the upcoming biennium. Each session, House Bill 2 is reserved for this purpose.

Indirect Cost – A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to a specific division or agency.

Interim – The time between regular legislative sessions.

Internal Service Funds – Funds use to account for the financing of goods and services provided by one department or agency to other departments, agencies, or governmental entities on a cost-reimbursement basis.

IRIS - The Integrated Revenue Information System (IRIS) is an automated system to administer taxes that are the responsibility of the Department of Revenue to collect.

Local Assistance – An expenditure classification primarily used to account for expenditures made for K-12 funding provided by the state to school districts.

MBARS – The Montana Budget Analysis and Reporting System, which provides all state agencies with one computerized system for budget development, maintenance and tracking, and is integrated with the State Accounting, Budget, and Human Resource System (SABHRS).

Mill – The property tax rate based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of assessed property value.

New Proposals – Requests (decision packages) to provide new non-mandated services, to change program services, to eliminate existing services, or to change the source of funds.

Non-budgeted Expenditures – Accounting entries for depreciation, amortization, and other financial transactions that appear as expenditures, but don't actually result in direct dispersal of funds from the state treasury.

Non-budgeted Transfer – Funds moved from one account to another in the state accounting system based upon statutory authority but not by appropriation in the General Appropriations Act (HB 2).

Off base – The accounting term “off base” refers to one-time-only spending and non-budgeted items like inventory adjustments.

Operating Expenses – All expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, rent, travel, and repair and maintenance.

Other Funds – Capital projects and fiduciary funds.

- Capital projects fund – Accounts for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.
- Fiduciary funds – Trust and agency fund types used to account for assets held by state government in a trustee capacity or as an agency for individuals, private organizations, other governmental entities, or other funds.

Pay Plan – Provision by the legislature of a general adjustment to salaries and/or benefits paid to state employees. Also refers to the pay schedule listing the state salary rate for each classified position according to that position's grade and the market rate.

Personal Services – Expenditures for salaries, benefits, per diem, and other additions, such as overtime.

Personal Services Snapshot – The point in time at which personal services attributes are captured and from which the personal services budget is determined. The executive budget personal services costs are based on a "snapshot" of actual salaries for authorized FTE as they existed in a pre-determined pay period in the base year.

Present Law – The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Present Law Adjustments – Requests (decision packages) for an adjustment in funding sufficient to allow maintenance of operations and services at the level authorized by the previous legislature (e.g., caseload, enrollment changes, and legally mandated workload).

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. Also, a grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes.

Proprietary Funds – Enterprise or internal service funds. Statute does not require that most proprietary funds be appropriated.

- Enterprise funds – Funds that account for operations financed and operated in a manner similar to private business enterprises, and through which the intent is to provide goods or services to the public.
- Internal service funds - Funds that account for the financing of goods or services provided by one department or agency to other departments or agencies of state government.

Reporting Levels – Budget units dividing agency and program budgets into smaller units for the purpose of constructing, analyzing, and approving budgets.

SABHRS – The State Accounting, Budget, and Human Resource System that combines the state's accounting, budgeting, personnel, payroll, and asset management systems into one single system.

State Special Revenue – Accounts for money from state and other nonfederal sources that is earmarked for a particular purpose, as well as money from other non-state or nonfederal sources that is restricted by law or by the terms of an agreement.

Supplemental Appropriation – An additional appropriation made by the governing body after the budget year or biennium has started. There are two types of supplemental appropriations that can be used to increase spending authority for a fiscal year: 1) a transaction in an even-numbered year that moves spending authority from the second year of the biennium to the first year; or 2) an appropriation passed and approved by the legislature to provide authority for the odd-numbered fiscal year ending the current biennium.

Vacancy Savings – The difference between what agencies actually spend for personal services and the cost of fully funding all funded positions for the entire year.

Acronyms

AES	Agricultural Experiment Station	GTB	Guaranteed Tax Base
ACA	Affordable Care Act	HB	House Bill
ADP	Average Daily Population	HAC	House Appropriations Committee
AMDD	Addictive & Mental Disorders Division	HMK	Healthy Montana Kids
ANB	Average Number Belonging (K-12 education)	HRD	Health Resources Division
ARM	Administrative Rules of Montana	HSRA	Highways Special Revenue Account
ARRA	American Recovery and Reinvestment Act	I&I	Interest and Income
BASE Aid	Base Amount for School Equity Aid	IT	Information Technology
BPE	Board of Public Education	ITSD	Information Technology Services Division
C&A	Cultural and Aesthetic (Trust)	LAD	Legislative Audit Division
CC	Community Colleges	LEPO	Legislative Environmental Policy Office
CES	Cooperative Extension Service	LFA	Legislative Fiscal Analyst
CHE	Commissioner of Higher Education	LFC	Legislative Finance Committee
CHIP	Children's Health Insurance Program (also SCHIP)	LFD	Legislative Fiscal Division
CIO	Chief Information Officer	LRBP	Long-Range Building Program
COPP	Commissioner of Political Practices	LRITP	Long-Range Information Technology Program
COT	College of Technology, followed by campus designation	LRP	Long-Range Planning
CPI	Consumer Price Index	LSD	Legislative Services Division
DEQ	Department of Environmental Quality	MAC	Montana Arts Council
MA	Department of Military Affairs	MBARS	Montana Budgeting, Analysis, and Reporting System
DNRC	Department of Natural Resources and Conservation	MBCC	Montana Board of Crime Control
DOA	Department of Administration	MBMG	Montana Bureau of Mines and Geology
DOAg	Department of Agriculture	MCA	Montana Code Annotated
DOC	Department of Commerce	MCHA	Montana Comprehensive Health Association
DOC	Department of Corrections	MDC	Montana Developmental Center
DOJ	Department of Justice	MDT	Montana Department of Transportation
DOLI	Department of Labor and Industry	MHP	Montana Highway Patrol
DOR	Department of Revenue	MHS	Montana Historical Society
DOT	Department of Transportation	MSDB	Montana School for the Deaf and Blind
DP	Decision Package	MSF	Montana State Fund
DPHHS	Department of Public Health and Human Services	MSL	Montana State Library
ES	Extension Service	MSP	Montana State Prison
FCES	Forestry and Conservation Experiment Station	MSU	Montana State University, followed by campus designation, i.e. MSU – Bozeman
FMAP	Federal Medical Assistance Percentage (Medicaid match rate)	MUS	Montana University System
FSR	Federal Special Revenue	MWP	Montana Women's Prison
FSTS	Fire Services Training School	NP	New Proposal
FTE	Full-Time Equivalent	OBPP	Office of Budget and Program Planning (Governor's Office)
FWP	Department of Fish, Wildlife, and Parks	OCHE	Office of the Commissioner of Higher Education
FFY	Federal Fiscal Year	OPI	Office of Public Instruction
FY	Fiscal Year	OTO	One-Time-Only
FYE	Fiscal Year End	PERS	Public Employees Retirement System
GAAP	Generally Accepted Accounting Principles	PL	Present Law
GF	General Fund	PPACA	Patient Protection and Affordable Care Act (Federal Health Care Reform)
GSL	Guaranteed Student Loan	PSC	Public Service Commission

PSR	Public Service Regulation
QSFP	Quality School Facilities Program
RDGP	Reclamation and Development Grant Program
RIGWA	Resource Indemnity and Groundwater Assessment Tax
RIT	Resource Indemnity Trust
RRGL	Renewable Resource Grant & Loan Program
RTIC	Revenue & Transportation Interim Committee
SA	Statutory Appropriation
SABHRS	Statewide Accounting, Budgeting, and Human Resources System
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAO	State Auditor's Office
SAVA	State Administration & Veterans' Affairs Interim Committee
SB	Senate Bill
SBECP	State Building Energy Conservation Program
SF&C	Senate Finance and Claims Committee
SLTC	Senior & Long-Term Care Division
SOS	Secretary of State
SSR	State Special Revenue
SWPLA	Statewide Present Law Adjustment
TANF	Temporary Assistance for Needy Families
TRS	Teachers' Retirement System
TSEP	Treasure State Endowment Program
TESPRW	Treasure State Endowment Program Regional Water Systems
UM	University of Montana, followed by campus designation, i.e. UM – Missoula

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